Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number 001-35624

INVESTORS REAL ESTATE TRUST

(Exact name of registrant as specified in its charter)

North Dakota	**45-0311232**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1400 31st Avenue SW, Suite 60, Post Office Box 1988, Minot, ND 58702-1988

(Address of principal executive offices) (Zip code)

(701) 837-4738

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

Yes ☑ **No** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☑ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ **Accelerated filer** ☐ **Non-accelerated filer** ☐ **Smaller Reporting Company** ☐ **Emerging growth company** ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ **No** ☑

The number of common shares of beneficial interest outstanding as of December 3, 2018, was 119,709,471.

TABLE OF CONTENTS

PART I
ITEM 1. FINANCIAL STATEMENTS - SECOND QUARTER - FISCAL 2019
INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS *(unaudited)*

	(in thousands, except per share data)	
	October 31, 2018	**April 30, 2018**
ASSETS		
Real estate investments		
Property owned	$ 1,638,072	$ 1,669,764
Less accumulated depreciation	(345,015)	(311,324)
	1,293,057	1,358,440
Unimproved land	6,522	11,476
Mortgage loans receivable	10,530	10,329
Total real estate investments	1,310,109	1,380,245
Cash and cash equivalents	12,777	11,891
Restricted cash	5,085	4,225
Other assets	29,769	30,297
TOTAL ASSETS	$ 1,357,740	$ 1,426,658
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	27,920	29,018
Revolving line of credit	69,500	124,000
Term loans, *net of unamortized loan costs of $1,044 and $486, respectively*	143,956	69,514
Mortgages payable, *net of unamortized loan costs of $1,865 and $2,221, respectively*	447,549	509,919
TOTAL LIABILITIES	$ 688,925	$ 732,451
COMMITMENTS AND CONTINGENCIES (NOTE 6)		
REDEEMABLE NONCONTROLLING INTERESTS – CONSOLIDATED REAL ESTATE ENTITIES	6,078	6,644
EQUITY		
Series C Preferred Shares of Beneficial Interest *(Cumulative redeemable preferred shares, no par value, $25 per share liquidation preference, 4,118 shares issued and outstanding at October 31, 2018 and April 30, 2018, aggregate liquidation preference of $102,971)*	99,456	99,456
Common Shares of Beneficial Interest *(Unlimited authorization, no par value, 119,727 shares issued and outstanding at October 31, 2018 and 119,526 shares issued and outstanding at April 30, 2018)*	900,526	900,097
Accumulated distributions in excess of net income	(416,819)	(395,669)
Accumulated other comprehensive income	$ 3,321	$ 1,779
Total shareholders’ equity	586,484	605,663
Noncontrolling interests – Operating Partnership *(13,678 units at October 31, 2018 and 14,099 units at April 30, 2018)*	69,334	73,012
Noncontrolling interests – consolidated real estate entities	6,919	8,888
Total equity	$ 662,737	$ 687,563
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND EQUITY	$ 1,357,740	$ 1,426,658

See accompanying Notes to Condensed Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS *(unaudited)*

	(in thousands, except per share data)			
	Three Months Ended October 31,		**Six Months Ended October 31,**	
	2018	**2017**	**2018**	**2017**
REVENUE	$ 45,638	$ 41,866	$ 91,584	$ 82,844
EXPENSES				
Property operating expenses, excluding real estate taxes	14,247	14,108	28,706	26,982
Real estate taxes	5,089	4,610	10,159	9,263
Property management expense	1,319	1,372	2,686	2,728
Casualty loss	225	115	450	600
Depreciation and amortization	19,191	17,270	37,803	42,608
Impairment of real estate investments	—	—	—	256
General and administrative expenses	3,374	3,118	7,244	7,120
TOTAL EXPENSES	$ 43,445	$ 40,593	$ 87,048	$ 89,557
Operating income (loss)	2,193	1,273	4,536	(6,713)
Interest expense	(7,997)	(8,509)	(16,382)	(16,640)
Loss on extinguishment of debt	(4)	(334)	(556)	(533)
Interest income	410	199	891	220
Other income	19	56	54	263
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations	(5,379)	(7,315)	(11,457)	(23,403)
Gain (loss) on sale of real estate and other investments	(232)	5,324	8,992	5,448
Income (loss) from continuing operations	(5,611)	(1,991)	(2,465)	(17,955)
Income (loss) from discontinued operations	—	15,130	570	17,815
NET INCOME (LOSS)	$ (5,611)	$ 13,139	$ (1,895)	$ (140)
Net (income) loss attributable to noncontrolling interests – Operating Partnership	722	(773)	587	871
Net (income) loss attributable to noncontrolling interests – consolidated real estate entities	331	455	(334)	826
Net income (loss) attributable to controlling interests	(4,558)	12,821	(1,642)	1,557
Dividends to preferred shareholders	(1,706)	(2,812)	(3,411)	(5,098)
Redemption of preferred shares	—	(3,649)	—	(3,649)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (6,264)	$ 6,360	$ (5,053)	$ (7,190)
Earnings (loss) per common share from continuing operations – basic and diluted	$ (0.05)	$ (0.06)	$ (0.04)	$ (0.19)
Earnings (loss) per common share from discontinued operations – basic and diluted	—	$ 0.11	—	0.13
NET EARNINGS (LOSS) PER COMMON SHARE – BASIC & DILUTED	$ (0.05)	$ 0.05	$ (0.04)	$ (0.06)
DIVIDENDS PER COMMON SHARE	$ 0.07	$ 0.07	$ 0.14	$ 0.14

See accompanying Notes to Condensed Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

	(in thousands)			
	Three Months Ended October 31,		**Six Months Ended October 31,**	
	2018	**2017**	**2018**	**2017**
Net income (loss)	$ (5,611)	$ 13,139	$ (1,895)	$ (140)
Other comprehensive income:				
Unrealized gain (loss) from derivative instrument	1,333	—	1,542	—
(Gain) loss on derivative instrument reclassified into earnings	90	—	119	—
Total comprehensive income (loss)	$ (4,188)	$ 13,139	$ (234)	$ (140)
Net comprehensive (income) loss attributable to noncontrolling interests – Operating Partnership	585	(733)	428	871
Net comprehensive (income) loss attributable to noncontrolling interests – consolidated real estate entities	331	455	(334)	826
Comprehensive income (loss) attributable to controlling interests	$ (3,272)	$ 12,861	$ (140)	$ 1,557

See accompanying Notes to Condensed Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY *(unaudited)*

	PREFERRED SHARES	NUMBER OF COMMON SHARES	COMMON SHARES	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME	NONREDEEMABLE NONCONTROLLING INTERESTS	TOTAL EQUITY
Balance April 30, 2017	$ 111,357	121,199	$908,905	$ (466,541)	—	$ 82,437	$636,158
Net income (loss) attributable to controlling interests and nonredeemable noncontrolling interests				1,557		(1,328)	229
Distributions – common shares and units				(16,881)		(2,089)	(18,970)
Distributions – Series B preferred shares				(4,571)			(4,571)
Distributions – Series C preferred shares				(527)			(527)
Shares issued and share-based compensation		75	844				844
Series C preferred shares issued	99,467						99,467
Redemption of units for cash						(5,982)	(5,982)
Shares repurchased	(111,357)	(1,080)	(6,253)	(3,649)			(121,259)
Contributions from nonredeemable noncontrolling interests – consolidated real estate entities						239	239
Distributions to nonredeemable noncontrolling interests – consolidated real estate entities						(41)	(41)
Other		(5)	(29)				(29)
Balance October 31, 2017	$ 99,467	120,189	$903,467	$ (490,612)	—	$ 73,236	$585,558
Balance April 30, 2018	$ 99,456	119,526	$900,097	$ (395,669)	$ 1,779	$ 81,900	$687,563
Cumulative adjustment upon adoption of ASC 606 and ASC 610-20				627			627
Balance on May 1, 2018	$ 99,456	119,526	$900,097	$ (395,042)	$ 1,779	$ 81,900	$688,190
Net income (loss) attributable to controlling interests and nonredeemable noncontrolling interests				(1,642)		79	(1,563)
Other comprehensive income - derivative instrument					1,542		1,542
Distributions – common shares and units				(16,724)		(1,960)	(18,684)
Distributions – Series C preferred shares				(3,411)			(3,411)
Shares issued and share-based compensation		27	777				777
Redemption of units for common shares		331	649			(649)	—
Redemption of units for cash						(482)	(482)
Shares repurchased		(119)	(615)				(615)
Distributions to nonredeemable noncontrolling interests – consolidated real estate entities						(2,374)	(2,374)
Other		(38)	(382)			(261)	(643)
Balance October 31, 2018	$ 99,456	119,727	$900,526	$ (416,819)	$ 3,321	$ 76,253	$662,737

See accompanying Notes to Condensed Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

	(in thousands)	
	Six Months Ended October 31,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (1,895)	$ (140)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, including amortization of capitalized loan costs	38,522	43,176
Depreciation and amortization from discontinued operations, including amortization of capitalized loan costs	—	7,077
(Gain) loss on sale of real estate, land, other investments and discontinued operations	(9,562)	(17,686)
Share-based compensation expense	580	751
Other, net	956	1,164
Changes in other assets and liabilities:		
Other assets	(725)	(1,853)
Accounts payable and accrued expenses	(662)	(4,756)
Net cash provided by operating activities	$ 27,214	$ 27,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal proceeds on mortgage loans receivable	425	—
Increase in notes receivable	(736)	(6,126)
Proceeds from sale of discontinued operations	—	35,775
Proceeds from sale of real estate and other investments	52,156	18,039
Insurance proceeds received	1,266	530
Payments for acquisitions of real estate assets	(837)	(154,122)
Payments for development and re-development of real estate assets	—	(2,817)
Payments for improvements of real estate assets	(8,547)	(10,178)
Payments for improvements of real estate assets from discontinued operations	—	(803)
Net cash provided by (used by) investing activities	$ 43,727	$ (119,702)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgages payable, including prepayment penalties	(63,481)	(52,143)
Proceeds from revolving lines of credit	53,017	293,350
Principal payments on revolving lines of credit	(107,517)	(102,900)
Proceeds from term loan	74,352	—
Proceeds from construction debt	—	3,124
Payment on financing liability	—	(7,900)
Repurchase of common shares	(615)	(6,253)
Proceeds from issuance of Series C preferred shares, net of issue costs	—	99,467
Repurchase of Series B preferred shares	—	(115,005)
Repurchase of partnership units	(482)	(5,982)
Distributions paid to common shareholders	(16,724)	(16,881)
Distributions paid to preferred shareholders	(3,411)	(5,333)
Distributions paid to noncontrolling interests – Unitholders of the Operating Partnership	(1,960)	(2,089)
Distributions paid to noncontrolling interests – consolidated real estate entities	(2,374)	(40)
Net cash provided by (used by) financing activities	$ (69,195)	$ 81,415
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,746	(10,554)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF PERIOD	16,116	56,800
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	$ 17,862	$ 46,246

See accompanying Notes to Condensed Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited, continued)*

	(in thousands)	
	Six Months Ended October 31,	
	2018	**2017**
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Operating partnership units converted to shares	$ 649	$ —
Decrease to accounts payable included within real estate investments	(329)	(2,106)
Notes and accounts receivable converted to equity	670	—
Construction debt reclassified to mortgages payable	—	23,300
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 17,059	$ 17,122

See accompanying Notes to Condensed Consolidated Financial Statements.

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(unaudited)*
for the six months ended October 31, 2018 and 2017

NOTE 1 • ORGANIZATION

Investors Real Estate Trust, collectively with our consolidated subsidiaries (“IRET,” “we,” “us,” or “our”), is a real estate investment trust (“REIT”) focused on the ownership, management, acquisition, redevelopment, and development of apartment communities. As of October 31, 2018, we owned interests in 87 apartment communities consisting of 13,702 apartment homes.

NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

We conduct a majority of our business activities through our consolidated operating partnership, IRET Properties, A North Dakota Limited Partnership (the “Operating Partnership”), as well as through a number of other consolidated subsidiary entities. The accompanying condensed consolidated financial statements include our accounts and the accounts of all our subsidiaries in which we maintain a controlling interest, including the Operating Partnership. All intercompany balances and transactions are eliminated in consolidation. Our fiscal year currently ends on April 30. On September 20, 2018, our Board of Trustees approved a change in our fiscal year-end, beginning January 1, 2019, from April 30 to December 31. We will file a transition report on Form 10-K for the period ended December 31, 2018, in accordance with SEC rules and regulations, and all subsequent fiscal years, beginning in 2019, will be from January 1 to December 31. Our Sixth Restated Trustee's Regulations (Bylaws) reflecting this change in fiscal year-end is attached hereto as Exhibit 3.3.

The condensed consolidated financial statements also reflect the Operating Partnership's ownership of certain joint venture entities in which the Operating Partnership has a general partner or controlling interest. These entities are consolidated into our operations, with noncontrolling interests reflecting the noncontrolling partners’ share of ownership, income, and expenses.

PRIOR PERIOD FINANCIAL STATEMENT CORRECTION OF AN IMMATERIAL MISSTATEMENT

During the first quarter of fiscal year 2019, we identified certain adjustments required to correct balances within total equity related to noncontrolling interests in our joint venture entities. Related to our acquisition of additional ownership interest in the joint venture entities, noncontrolling interest - consolidated real estate entities was understated and common shares of beneficial interest was overstated beginning in fiscal year 2017. The adjustments did not impact total assets, total liabilities, revenue, net income, net income available to common shareholders, number of common shares, or earnings per share.

Based on an analysis of Accounting Standards Codification (“ASC”) 250 - “Accounting Changes and Error Corrections” (“ASC 250”), Staff Accounting Bulletin 99 - “Materiality” (“SAB 99”) and Staff Accounting Bulletin 108 - "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (“SAB 108”), we determined that these errors were immaterial to the previously-issued financial statements. The misstatement was corrected in the condensed consolidated balance sheets as of April 30, 2018 and the condensed consolidated statements of equity as of April 30, 2017, October 31, 2017 and April 30, 2018.

The effect of these revisions on our condensed consolidated balance sheet is as follows:

	(in thousands)		
	As previously reported at April 30, 2018	Adjustment	As revised at April 30, 2018
Common shares of beneficial interest	$ 907,843	$ (7,746)	$ 900,097
Noncontrolling interests - consolidated real estate entities	1,078	7,810	8,888
Redeemable noncontrolling interests - consolidated real estate entities	6,708	(64)	6,644

The effect of these revisions on our condensed consolidated statements of equity is as follows:

	(in thousands)		
	As previously reported at April 30, 2017	Adjustment	As revised at April 30, 2017
Common shares of beneficial interest	$ 916,121	$ (7,216)	$ 908,905
Nonredeemable noncontrolling interests	75,157	7,280	82,437

	(in thousands)		
	As previously reported at October 31, 2017	Adjustment	As revised at October 31, 2017
Common shares of beneficial interest	$ 910,683	$ (7,216)	$ 903,467
Nonredeemable noncontrolling interests	65,956	7,280	73,236

	(in thousands)		
	As previously reported at April 30, 2018	Adjustment	As revised at April 30, 2018
Common shares of beneficial interest	$ 907,843	$ (7,746)	$ 900,097
Nonredeemable noncontrolling interests	74,090	7,810	81,900

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Our interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain disclosures accompanying annual consolidated financial statements prepared in accordance with U.S. GAAP are omitted. The year-end balance sheet data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments, consisting solely of normal recurring adjustments necessary for the fair presentation of our financial position, results of operations, and cash flows for the interim periods, have been included.

The current period's results of operations are not necessarily indicative of results which ultimately may be achieved for the year. The interim condensed consolidated financial statements and accompanying notes thereto should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2018, as filed with the SEC on June 28, 2018.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TAX CUTS AND JOBS ACT OF 2017

The Tax Cuts and Jobs Act of 2017 was passed on December 22, 2017. This Act includes a number of changes to the corporate income tax system, including (1) a reduction in the statutory federal corporate income tax rate from 35% to 21% for non-REIT "C" corporations, (2) changes to deductions for certain pass-through business income, and (3) potential limitations on interest expense, depreciation, and the deductibility of executive compensation. As a REIT, we generally will not be subject to federal income tax on our taxable income at the corporate level and do not believe that any of the changes from the 2017 Tax Cut and Jobs Act of 2007 will have a material impact on our consolidated financial statements. However, the impact of this Act is not yet fully known, and there can be no assurance that it will not have an adverse impact on our results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

The following table provides a brief description of recent accounting standards updates ("ASUs").

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2014-09, *Revenue from Contracts with Customers*	This ASU will eliminate the transaction- and industry-specific revenue recognition guidance under current GAAP and replace it with a principle-based approach for determining revenue recognition. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.	This ASU is effective for annual reporting periods beginning after December 15, 2017, as a result of a deferral of the effective date arising from the issuance of ASU 2015-14, *Revenue from Contracts with Customers - Deferral of the Effective Date*. We adopted the new standard effective May 1, 2018 using the modified retrospective approach.	The majority of our revenue is derived from rental income, which is scoped out from this standard and will be accounted for under ASC 840, *Leases*. Our other revenue streams, which were evaluated under this ASU, include but are not limited to other income from residents determined not to be within the scope of ASC 840 and gains and losses from real estate dispositions. Refer to the Revenues section below for information regarding the impact of adopting the standard on our condensed consolidated financial statements.
ASU 2016-02, *Leases*	This ASU amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting.	This ASU is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted.	We expect our residential leases, where we are the lessor, will continue to be accounted for as operating leases under the new standard. As a result, we do not expect significant changes in the accounting for lease revenue. For leases where we are the lessee, we will recognize a right of use asset and related lease liability on our consolidated balance sheets upon adoption. We are continuing to evaluate the impact the new standard may have on our consolidated financial statements.
ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*	This ASU addresses eight specific cash flow issues with the objective of reducing diversity in practice. The cash flow issues include debt prepayment or debt extinguishment costs and proceeds from the settlement of insurance claims.	This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted the new standard effective May 1, 2018.	The standard requires we present combined inflows and outflows of cash, cash equivalents, and restricted cash in the consolidated statement of cash flows. See additional disclosures regarding the required change below.
ASU 2017-05, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*	This ASU clarifies the definition of an in-substance nonfinancial asset and changes the accounting for partial sales of nonfinancial assets to be more consistent with the accounting for a sale of a business pursuant to ASU 2017-01. This ASU allows for either a retrospective or modified retrospective approach.	This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. We adopted the new standard effective May 1, 2018 using the modified retrospective approach.	Refer to the Revenues section below for information regarding the impact of adopting the standard on our condensed consolidated financial statements.
ASU 2018-10, *Codification Improvements to Topic 842, Leases*	This ASU was issued to increase shareholders' awareness of narrow aspects of the guidance issued in the amendments and to expedite the improvements under ASU 2016-02.	This ASU is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted.	We are currently evaluating the impact the new standard may have on our consolidated financial statements.
ASU 2018-11, *Leases: Targeted Improvements*	This ASU allows lessors to account for lease and non-lease components, by class of underlying assets, as a single lease component if certain criteria are met. The new standard also indicates that companies are permitted to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption in lieu of the modified retrospective approach and provides other practical expedients.	This ASU is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted.	We are currently evaluating the impact the new standard may have on our consolidated financial statements.

Standard	Description	Date of Adoption	Effect on the Financial Statements or Other Significant Matters
ASU 2018-13, *Fair Value Measurements (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirement for Fair Value Measurements*	This ASU eliminates certain disclosure requirements affecting all levels of measurement, and modifies and adds new disclosure requirements for Level 3 measurements.	This ASU is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted.	We are currently evaluating the impact the new standard may have on our disclosures.
ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Topic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*	This ASU reduces the complexity for the accounting for costs of implementing a cloud computing service arrangement. The standard aligns various requirements for capitalizing implementation costs.	This ASU is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted.	We are currently evaluating the impact the new standard may have on our consolidated financial statements.

RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. These reclassifications had no impact on net income as reported in the condensed consolidated statement of operations, total assets, liabilities, or equity as reported in the condensed consolidated balance sheets and total shareholders' equity. We report in discontinued operations the results of operations and the related gains or losses of properties that have either been disposed or classified as held for sale and for which the disposition represents a strategic shift that has or will have a major effect on our operations and financial results.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Effective May 1, 2018, we adopted ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments* which affects the presentation and disclosure of the statements of cash flows. Previously our consolidated statements of cash flows presented transfers between restricted cash and unrestricted cash as operating, financing, and investing cash activities based upon the required or intended purpose for the restricted cash. We revised our condensed consolidated statements of cash flows for the six months ended October 31, 2017 to conform to this presentation, and the effect of the revisions to net cash flows from operating and investing activities as previously reported for the six months ended October 31, 2017 are summarized in the following table:

	(in thousands)		
	As previously reported October 31, 2017	Impact of ASU 2016-15	As adjusted and currently reported October 31, 2017
Net cash provided by operating activities	$ 26,932	$ 801	$ 27,733
Net cash provided by (used by) investing activities	(95,112)	(24,590)	(119,702)
Net cash provided by (used by) financing activities	81,825	(410)	81,415
Net increase (decrease) in cash, cash equivalents	13,645	(13,645)	—
Net increase (decrease) in cash, cash equivalents, and restricted cash	—	(10,554)	(10,554)
Cash and cash equivalents at beginning of period	28,819	(28,819)	—
Cash, cash equivalents, and restricted cash at beginning of period	—	56,800	56,800
Cash and cash equivalents at end of period	$ 42,464		
Cash, cash equivalents, and restricted cash at end of period		$ 3,782	$ 46,246

	(in thousands)	
Balance sheet description	October 31, 2018	October 31, 2017
Cash and cash equivalents	12,777	42,464
Restricted cash	5,085	3,782
Total cash, cash equivalents and restricted cash	17,862	46,246

As of October 31, 2018, restricted cash consisted of $5.1 million of escrows held by lenders for real estate taxes, insurance, and capital additions.

REVENUES

We adopted ASU 2014-09, *Revenue from Contracts with Customers*, as of May 1, 2018. We elected to apply the new standard to contracts that are not complete as of May 1, 2018. We also elected to omit disclosing the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Under the new standard, revenue is recognized in accordance with the transfer of goods and services to customers at an amount that reflects the consideration the company expects to be entitled for those goods and services.

We primarily lease multifamily apartments under operating leases generally with terms of one year or less. Rental revenues are recognized in accordance with ASC 840, *Leases*, using a method that represents a straight-line basis over the term of the lease. Rental income represents approximately 94.3% of our total revenues and includes gross market rent less adjustments for concessions, vacancy loss, and bad debt. Other property revenues represent the remaining 5.7% of our total revenue and are primarily driven by utility reimbursement from our residents and other fee income, which is typically recognized at a point in time.

Revenue streams that are included in ASU 2014-09 include:

- Other property revenues: We recognize revenue for rental related income not included as a component of a lease, such as utility reimbursement and application fees, as earned, and have concluded that this is appropriate under the new standard.

- Gains or losses on sales of real estate: Subsequent to the adoption of the new standard, a gain or loss is recognized when the criteria for derecognition of an asset are met, including when (1) a contract exists and (2) the buyer obtained control of the nonfinancial asset that was sold. As a result, we may recognize a gain on real estate disposition transactions that previously did not qualify as a sale or for full profit recognition under the previous accounting standard.

We concluded that the adoption of the new standard required a cumulative adjustment of $627,000 to the opening balance of retained earnings as of May 1, 2018, due to the sale of a group of properties in the prior fiscal year. The sale of properties was previously accounted for using the installment method. Under the installment method, we recorded a mortgage receivable net of the deferred gain on sale, which was to be recognized as payments were received. The gain on sale under the new revenue standard is recognized when control of the assets is transferred to the buyer. As a result of our adoption of the new standard, we recorded a cumulative adjustment to retained earnings and increased the mortgage receivable by $627,000 to recognize the previously deferred gain on sale.

The following table presents the disaggregation of revenue streams of our rental income for the six months ended October 31, 2018:

		(in thousands, except percentages)	
		Six Months Ended October 31, 2018	
Revenue Stream	Applicable Standard	Amount of Revenue	Percent of Revenue
Rental revenue	Leases	86,394	94.3%
Other property revenue	Revenue Recognition	5,190	5.7%
		91,584	100.0%

IMPAIRMENT OF LONG-LIVED ASSETS

We periodically evaluate our long-lived assets, including investments in real estate, for impairment indicators. The impairment evaluation is performed on assets by property such that assets for a property form an asset group. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset group, and legal and environmental concerns. If indicators exist, we compare the expected future undiscounted cash flows for the long-lived asset group against the carrying amount of that asset group. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset group, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset group. If our anticipated holding period for properties, the estimated fair value of properties, or other factors change based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates, and capital requirements that could differ materially from actual results. Reducing planned property holding periods may increase the likelihood of recording impairment losses.

During the six months ended October 31, 2018, we recorded no impairment charges.

During the six months ended October 31, 2017, we recognized impairment charges of $256,000 on a parcel of land in Bismarck, ND. This property was written down to estimated fair value during the first quarter of fiscal year 2018 based on receipt of a market offer to purchase and our intent to dispose of the property. We disposed of the property during the second quarter of fiscal year 2018.

CHANGE IN DEPRECIABLE LIVES OF REAL ESTATE ASSETS

We review the estimated useful lives of our real estate assets on an ongoing basis. Prior to our strategic shift to become a multifamily-focused REIT, which began in fiscal year 2016, we operated in five segments (office, retail, industrial, healthcare and multifamily). Accordingly, our estimated useful lives represented a blend of these segments.

During fiscal years 2016, 2017, and 2018, we disposed of the bulk of our office, retail, industrial, and healthcare portfolios. In the first quarter of fiscal year 2018, we determined it was appropriate to review and adjust our estimated useful lives to be specific to our remaining asset portfolio. Effective May 1, 2017, we changed the estimated useful lives of our real estate assets to better reflect the estimated periods during which they will be of economic benefit. Generally, the estimated lives of buildings and improvements that previously were 20-40 years have been decreased to 10-37 years, while those that were previously nine years were changed to 5-10 years. The effect of this change in estimate for the six months ended October 31, 2017, was to increase depreciation expense by approximately $20.3 million, decrease net income by $20.3 million, and decrease earnings per share by $0.15. Of the expense increase, $9.0 million, or $0.07 per share, represented depreciation on assets that were fully depreciated under the new estimated useful lives in the first quarter of fiscal year 2018.

MORTGAGE RECEIVABLE AND NOTES RECEIVABLE

In August 2017, we sold 13 multifamily properties in exchange for cash and a note secured by a mortgage on the assets. As of October 31, 2018, the remaining balance on the mortgage was $10.5 million. The note bears an interest rate of 5.5% and matures in August 2020. Monthly payments are interest-only, with the principal balance payable at maturity. During the six months ended October 31, 2018 and 2017, we received and recognized approximately $350,000 and $119,000 of interest income, respectively. During the six months ended October 31, 2018, we received a payment of $425,000 to pay down the balance of the mortgage receivable and released one of the 13 properties from the assets used to secure the mortgage.

In July 2017, we originated a $16.2 million loan in a multifamily development located in New Hope, MN, a Minneapolis suburb. As of July 31, 2018, we had funded the full initial loan balance, which appears in other assets on our Condensed Consolidated Balance Sheets; however, we may fund additional amounts upon satisfaction of certain conditions set forth in the loan agreement. The note bears an interest rate of 6%, matures in July 2023, and provides us an option to purchase the development prior to the loan maturity date.

VARIABLE INTEREST ENTITIES

We have determined that our Operating Partnership and each of our less-than-wholly owned real estate partnerships is a variable interest entity ("VIE"), as the limited partners or the functional equivalent of limited partners lack substantive kick-out rights and substantive participating rights. We are the primary beneficiary of the VIEs, and the VIEs are required to be consolidated on our balance sheet because we have a controlling financial interest in the VIEs and have both the power to direct the activities of the VIEs that most significantly impact the economic performance of the VIEs as well as the obligation to absorb losses or the right to receive benefits from the VIEs that could potentially be significant to the VIEs. Because our Operating Partnership is a VIE, all of our assets and liabilities are held through a VIE.

NOTE 3 • EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of our common shares of beneficial interest ("Common Shares") outstanding during the period. We have issued restricted stock units ("RSUs") under our 2015 Incentive Plan, which could have a dilutive effect on our earnings per share upon exercise of the RSUs. Other than the issuance of RSUs, we have no outstanding options, warrants, convertible stock or other contractual obligations requiring issuance of additional shares that would result in dilution of earnings. Under the terms of the Operating Partnership's Agreement of Limited Partnership, limited partners have the right to require the Operating Partnership to redeem their limited partnership units ("Units") any time following the first anniversary of the date they acquired such Units ("Exchange Right"). Upon the exercise of Exchange Rights, and in our sole discretion, we may issue Common Shares in exchange for Units on a one-for-one basis. The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted earnings per share reported in the condensed consolidated financial statements for the three and six months ended October 31, 2018 and 2017:

	(in thousands, except per share data)			
	Three Months Ended October 31,		**Six Months Ended October 31,**	
	2018	**2017**	**2018**	**2017**
NUMERATOR				
Income (loss) from continuing operations – controlling interests	$ (4,558)	$ (679)	$ (2,153)	$ (14,330)
Income (loss) from discontinued operations – controlling interests	—	13,500	511	15,887
Net income (loss) attributable to controlling interests	(4,558)	12,821	(1,642)	1,557
Dividends to preferred shareholders	(1,706)	(2,812)	(3,411)	(5,098)
Redemption of preferred shares	—	(3,649)	—	(3,649)
Numerator for basic earnings (loss) per share – net income available to common shareholders	(6,264)	6,360	(5,053)	(7,190)
Noncontrolling interests – Operating Partnership	(722)	773	(587)	(871)
Numerator for diluted earnings (loss) per share	$ (6,986)	$ 7,133	$ (5,640)	$ (8,061)
DENOMINATOR				
Denominator for basic earnings per share weighted average shares	119,396	120,144	119,320	120,282
Effect of redeemable operating partnership units	13,789	14,623	13,924	14,912
Denominator for diluted earnings per share	133,185	134,767	133,244	135,194
Earnings (loss) per common share from continuing operations – basic and diluted	$ (0.05)	$ (0.06)	$ (0.04)	$ (0.19)
Earnings (loss) per common share from discontinued operations – basic and diluted	—	0.11	—	0.13
NET EARNINGS (LOSS) PER COMMON SHARE – BASIC & DILUTED	$ (0.05)	$ 0.05	$ (0.04)	$ (0.06)

Performance-based restricted stock awards of 253,000 and 115,000 for the three months ended October 31, 2018 and 2017, respectively, and 253,000 and 115,000 for the six months ended October 31, 2018 and 2017, respectively, were excluded from the calculation of diluted earnings per share because the assumed proceeds per share plus the average unearned compensation were greater than the average market price of the common stock for the periods presented and, therefore, were anti-dilutive. Refer to Note 13 - Share-Based Compensation for discussion of the terms for these awards.

NOTE 4 • EQUITY

Operating Partnership Units. Outstanding Units in the Operating Partnership were 13.7 million Units at October 31, 2018 and 14.1 million Units at April 30, 2018.

Common Shares and Equity Awards. Common Shares outstanding on October 31, 2018 and April 30, 2018, totaled 119.7 million and 119.5 million, respectively. There were 13,000 shares issued under our 2015 Incentive Award Plan during the three months ended October 31, 2018, with a total grant-date fair value of $83,000. During the six months ended October 31, 2018, we issued 56,000 restricted common shares, with a total grant date fair value of $347,000. During fiscal year 2018, there were no shares issued during the three months ended October 31, 2017. During the six months ended October 31, 2017, we issued 75,000 restricted Common Shares, with a total grant-date fair value of $445,000. These shares are issued under our 2015 Incentive Award Plan for executive officer and trustee share-based compensation. These shares vest based on performance and service criteria.

Exchange Rights. Pursuant to the exercise of Exchange Rights, during the six months ended October 31, 2018, we redeemed 91,000 Units for an aggregate cost of $482,000, at an average price per Unit of $5.30. During the six months ended October 31, 2017, we redeemed 999,500 Units for an aggregate cost of $6.0 million, at an average price per Unit of $5.98. During the three and six months ended October 31, 2018, we redeemed 217,000 and 331,000 Units, respectively, in exchange for common shares in connection with Unitholders exercising their Exchange Rights, with a total book value of $358,000 and $649,000, respectively. During the three and six months ended October 31, 2017, we redeemed no Units in exchange for common shares.

Share Repurchase Program. On December 7, 2016, our Board of Directors authorized a share repurchase program to repurchase up to $50 million of our Common Shares over a one-year period. On December 5, 2017, our Board of Trustees reauthorized this share repurchase program for an additional one-year period. See Note 15 - Subsequent Events for additional information regarding our recent reauthorization of the share repurchase program. Under this program, we may repurchase Common Shares in open-market purchases, including pursuant to Rule 10b5-1 and Rule 10b-18 plans, as determined by management and in accordance with the requirements of the SEC. The extent to which we repurchase our shares, and the timing of repurchases, will depend on a variety of factors, including market conditions, regulatory requirements, and other corporate considerations, as determined by the executive management team. This program may be suspended or discontinued at any time. During the six months ended October 31, 2018, we repurchased and retired 118,000 common shares for an aggregate cost of $615,000, including commissions, at an average price per share of $5.20. During the six months ended October 31, 2017, we repurchased and retired 1.1 million common shares for an aggregate cost of $6.3 million, including commissions, at an average price per share of $5.79. As of October 31, 2018, $34.9 million remained available under the $50 million authorized share repurchase program.

NOTE 5 • SEGMENT REPORTING

We operate in a single reportable segment, which includes the ownership, management, development, redevelopment, and acquisition of apartment communities. Each of our operating properties is considered a separate operating segment because each property earns revenues, incurs expenses, and has discrete financial information. Our chief operating decision-makers evaluate each property's operating results to make decisions about resources to be allocated and to assess performance. We do not group our operations based on geography, size, or type. Our apartment communities have similar long-term economic characteristics and provide similar products and services to our residents. No apartment community comprises more than 10% of consolidated revenues, profits, or assets. Accordingly, our apartment communities are aggregated into a single reportable segment.

Prior to the third quarter of fiscal year 2018, we reported our results in two reportable segments: multifamily and healthcare. We sold substantially all of our healthcare portfolio during the third quarter of fiscal year 2018 and classified it as discontinued operations (see Note 7 for additional information). Healthcare no longer meets the quantitative thresholds for reporting as a separate reportable segment and therefore is included in “all other” with other non-multifamily properties. As of July 31, 2018, we no longer owned any healthcare properties.

Our executive management team comprises our chief operating decision-makers. This team measures the performance of our reportable segment based on net operating income (“NOI”), which we define as total real estate revenues less real estate expenses. Real estate expenses consist of property operating expenses and real estate tax expense and do not include property management expense. We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of operations that is unaffected by depreciation, amortization, financing, and general and administrative expenses. NOI does not represent cash generated by operating activities in accordance with U.S. GAAP and should not be considered an alternative to net income, net income available for common shareholders, or cash flow from operating activities as a measure of financial performance.

The revenues and NOI for the multifamily reportable segment are summarized as follows for the three and six month periods ended October 31, 2018 and 2017, respectively, along with reconciliations to the condensed consolidated financial statements. Segment assets are also reconciled to total assets as reported in the condensed consolidated financial statements.

	(in thousands)		
Three Months Ended October 31, 2018	**Multifamily**	**All Other**	**Total**
Real estate revenue	$ 43,874	$ 1,764	$ 45,638
Real estate expenses	18,768	568	19,336
Net operating income	$ 25,106	$ 1,196	$ 26,302
Property management expenses			(1,319)
Casualty loss			(225)
Depreciation and amortization			(19,191)
General and administrative expenses			(3,374)
Interest expense			(7,997)
Loss on debt extinguishment			(4)
Interest and other income			429
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations			(5,379)
Gain (loss) on sale of real estate and other investments			(232)
Income (loss) from continuing operations			(5,611)
Income (loss) from discontinued operations			—
Net income (loss)			$ (5,611)

	(in thousands)		
Three Months Ended October 31, 2017	**Multifamily**	**All Other**	**Total**
Real estate revenue	$ 37,457	$ 4,409	$ 41,866
Real estate expenses	17,201	1,517	18,718
Net operating income	$ 20,256	$ 2,892	$ 23,148
Property management expenses			(1,372)
Casualty loss			(115)
Depreciation and amortization			(17,270)
General and administrative expenses			(3,118)
Interest expense			(8,509)
Loss on debt extinguishment			(334)
Interest and other income			255
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations			(7,315)
Gain (loss) on sale of real estate and other investments			5,324
Income (loss) from continuing operations			(1,991)
Income (loss) from discontinued operations			15,130
Net income (loss)			$ 13,139

Six Months Ended October 31, 2018		Multifamily (in thousands)		All Other		Total
Real estate revenue	$	86,963	$	4,621	$	91,584
Real estate expenses		37,254		1,611		38,865
Net operating income	$	49,709	$	3,010	$	52,719
Property management expenses						(2,686)
Casualty loss						(450)
Depreciation and amortization						(37,803)
Impairment of real estate investments						—
General and administrative expenses						(7,244)
Interest expense						(16,382)
Loss on debt extinguishment						(556)
Interest and other income						945
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations						(11,457)
Gain (loss) on sale of real estate and other investments						8,992
Income (loss) from continuing operations						(2,465)
Income (loss) from discontinued operations						570
Net income (loss)					$	(1,895)

Six Months Ended October 31, 2017		Multifamily (in thousands)		All Other		Total
Real estate revenue	$	73,455	$	9,389	$	82,844
Real estate expenses		32,934		3,311		36,245
Net operating income	$	40,521	$	6,078	$	46,599
Property management expenses						(2,728)
Casualty loss						(600)
Depreciation and amortization						(42,608)
Impairment of real estate investments						(256)
General and administrative expenses						(7,120)
Interest expense						(16,640)
Loss on debt extinguishment						(533)
Interest and other income						483
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations						(23,403)
Gain (loss) on sale of real estate and other investments						5,448
Income (loss) from continuing operations						(17,955)
Income (loss) from discontinued operations						17,815
Net income (loss)					$	(140)

Segment Assets and Accumulated Depreciation

Segment assets are summarized as follows as of October 31, 2018, and April 30, 2018, respectively, along with reconciliations to the condensed consolidated financial statements:

As of October 31, 2018	Multifamily (in thousands)	All Other	Total
Segment assets			
Property owned	$ 1,580,260	$ 57,812	$ 1,638,072
Less accumulated depreciation	(328,075)	(16,940)	(345,015)
Total property owned	$ 1,252,185	$ 40,872	$ 1,293,057
Cash and cash equivalents			12,777
Restricted cash			5,085
Other assets			29,769
Unimproved land			6,522
Mortgage loans receivable			10,530
Total Assets			$ 1,357,740

As of April 30, 2018	Multifamily (in thousands)	All Other	Total
Segment assets			
Property owned	$ 1,606,421	$ 63,343	$ 1,669,764
Less accumulated depreciation	(294,477)	(16,847)	(311,324)
Total property owned	$ 1,311,944	$ 46,496	$ 1,358,440
Cash and cash equivalents			11,891
Restricted cash			4,225
Other assets			30,297
Unimproved land			11,476
Mortgage loans receivable			10,329
Total Assets			$ 1,426,658

NOTE 6 • COMMITMENTS AND CONTINGENCIES

Litigation. We are subject to a variety of legal actions for personal injury or property damage arising in the ordinary course of our business, most of which are covered by liability insurance. Various resident claims are also brought periodically, most of which are covered by insurance. While resolution of these matters cannot be predicted with certainty, management believes that the final outcome of these claims and legal proceedings will not have a material effect on our liquidity, financial position, cash flows, or results of operations.

Environmental Matters. Under various federal, state, and local laws, ordinances, and regulations, a current or previous owner or operator of real estate may be liable for the costs of removal of, or remediation of, certain hazardous or toxic substances in, on, around, or under the property. While we currently have no knowledge of any material violation of environmental laws, ordinances, or regulations at any of our properties, there can be no assurance that areas of contamination will not be identified at any of our properties or that changes in environmental laws, regulations, or cleanup requirements would not result in material costs to us.

Restrictions on Taxable Dispositions. Twenty-four of our properties, consisting of 4,099 apartment units, are subject to restrictions on our ability to resell in taxable transactions. These restrictions are contained in agreements we entered into with some of the sellers or contributors of the properties and are effective for varying periods. The real estate investment amount of these properties (net of accumulated depreciation) was $536.9 million at October 31, 2018. We do not believe that these agreements materially affect the conduct of our business or our decisions whether to dispose of restricted properties during the restriction period because we generally hold these and our other properties for investment purposes rather than for sale. In addition, where we deem it to be in our shareholders' best interests to dispose of such properties, we generally seek to structure sale of such properties as tax deferred transactions under Section 1031 of the Internal Revenue Code (the "Code").

If we decide to sell one or more of these properties and are unable to structure sales of such properties as tax deferred transactions under Section 1031 of the Code, we may be required to provide tax indemnification payments to the parties to these agreements.

NOTE 7 • DISCONTINUED OPERATIONS

We report in discontinued operations the results of operations and the related gains or losses on the sales of properties that have either been disposed of or classified as held for sale and meet the classification of a discontinued operation as described in ASC 205, "*Presentation of Financial Statements,*" and ASC 360, "*Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*" Under this standard, a disposal (or classification as held for sale) of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

We classified no new dispositions or properties held for sale as discontinued operations during the three and six months ended October 31, 2018 and 2017.

The following information shows the effect on net income and the gains or losses from the sales of properties classified as discontinued operations for the three and six months ended October 31, 2018 and 2017, respectively:

	(in thousands)			
	Three Months Ended October 31,		**Six Months Ended October 31,**	
	2018	**2017**	**2018**	**2017**
REVENUE	$ —	$ 12,047	$ —	$ 24,002
EXPENSES				
Property operating expenses, excluding real estate taxes	—	2,387	—	4,644
Real estate taxes	—	1,946	—	3,907
Property management	—	68	—	140
Depreciation and amortization	—	3,424	—	7,013
General and administrative	—	15	—	15
TOTAL EXPENSES	$ —	$ 7,840	$ —	$ 15,719
Operating income (loss)	—	4,207	—	8,283
Interest expense	—	(1,436)	—	(3,421)
Loss on extinguishment of debt	—	(6)	—	(6)
Interest income	—	117	—	661
Other income	—	10	—	60
Income (loss) from discontinued operations before gain (loss) on sale	—	2,892	—	5,577
Gain (loss) on sale of discontinued operations	—	12,238	570	12,238
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ —	$ 15,130	$ 570	$ 17,815

As of October 31, 2018 and April 30, 2018, we had no assets or liabilities classified as held for sale.

NOTE 8 • ACQUISITIONS AND DISPOSITIONS

PROPERTY ACQUISITIONS

We added no new real estate to our portfolio through property acquisitions during the three and six months ended October 31, 2018, compared to $153.8 million in the six months ended October 31, 2017. Our acquisitions during the six months ended October 31, 2017 are detailed below.

Six Months Ended October 31, 2017

		(in thousands)			
			Investment Allocation		
Acquisitions	**Date Acquired**	**Total Acquisition Cost**	**Land**	**Building**	**Intangible Assets**
Multifamily					
191 unit - Oxbo - St. Paul, MN[1]	May 26, 2017	$ 61,500	$ 5,809	$ 54,910	$ 781
500 unit - Park Place - Plymouth, MN	September 13, 2017	92,250	10,609	80,711	930
Total Property Acquisitions		$ 153,750	$ 16,418	$ 135,621	$ 1,711

(1) Property includes 11,477 square feet of retail space.

PROPERTY DISPOSITIONS

During the three months ended October 31, 2018, we sold one commercial property and one parcel of land for a total sale price of $3.1 million. During the three months ended October 31, 2017, we sold 13 apartment communities, three healthcare properties, one industrial property, and one parcel of unimproved land for a total sale price of $63.4 million. The following table details our dispositions for the six months ended October 31, 2018 and 2017:

Six Months Ended October 31, 2018

		(in thousands)		
Dispositions	**Date Disposed**	**Sales Price**	**Book Value and Sale Cost**	**Gain/(Loss)**
Multifamily				
44 unit - Dakota Commons - Williston, ND	July 26, 2018	$ 4,420	$ 3,878	$ 542
145 unit - Williston Garden - Williston, ND[1]	July 26, 2018	12,310	11,313	997
288 unit - Renaissance Heights - Williston, ND[2]	July 26, 2018	24,770	17,856	6,914
		41,500	33,047	8,453
Other				
7,849 sq ft Minot Southgate Retail - Minot, ND	July 12, 2018	1,925	2,056	(131)
9,052 sq ft Fresenius - Duluth, MN	July 27, 2018	1,900	1,078	822
15,000 sq ft Minot 2505 16th St SW - Minot, ND	October 12, 2018	1,710	1,814	(104)
		5,535	4,948	587
Unimproved Land				
Grand Forks - Grand Forks, ND	July 16, 2018	3,000	2,986	14
Renaissance Heights - Williston, ND[3]	July 26, 2018	750	684	66
Badger Hills Unimproved - Rochester, MN	August 29, 2018	1,400	1,528	(128)
		5,150	5,198	(48)
Total Property Dispositions		$ 52,185	$ 43,193	$ 8,992

(1) This apartment community was owned by a joint venture entity in which we had an interest of approximately 74.11%. The joint venture was consolidated in our financial statements at October 31, 2018.

(2) This apartment community was owned by a joint venture entity in which we had an interest of approximately 87.14%. The joint venture was consolidated in our financial statements at October 31, 2018.

(3) This parcel of land was owned by a joint venture entity in which we had an interest of approximately 70.00%. The joint venture was consolidated in our financial statements at October 31, 2018.

Six Months Ended October 31, 2017

Dispositions	Date Disposed	Sale Price (in thousands)	Book Value and Sale Cost (in thousands)	Gain/(Loss) (in thousands)
Multifamily				
327 unit - 13 Multifamily properties - Minot, ND(1)	August 22, 2017	$ 12,263	$ 11,562	$ 701
Other				
4,998 sq ft Minot Southgate Wells Fargo Bank - Minot, ND	May 15, 2017	3,440	3,332	108
90,260 sq ft Lexington Commerce Center - Eagan, MN	August 22, 2017	9,000	3,963	5,037
17,640 sq ft 1440 Duckwood Medical - Eagan, MN	August 24, 2017	2,100	1,886	214
279,834 sq ft Edgewood Vista Hermantown I & II - Hermantown, MN	October 19, 2017	36,884	24,697	12,187
		51,424	33,878	17,546
Unimproved Land				
Bismarck 4916 Unimproved Land - Bismarck, ND	August 8, 2017	3,175	3,188	(13)
Total Property Dispositions		$ 66,862	$ 48,628	$ 18,234

(1) These properties include: 4th Street 4 Plex, 11th Street 3 Plex, Apartments on Main, Brooklyn Heights, Colton Heights, Fairmont, First Avenue (Apartments and Office), Pines, Southview, Summit Park, Temple (including 17 South Main Retail), Terrace Heights and Westridge.

NOTE 9 • DEBT

As of October 31, 2018, we owned 93 properties, of which 52 multifamily and other properties served as collateral for mortgage loans. The majority of these mortgage loans were non-recourse to us other than for standard carve-out obligations. As of October 31, 2018, we believe that there are no material defaults or compliance issues with respect to any mortgages payable.

The aggregate amount of required future principal payments on mortgages payable as of October 31, 2018, was as follows:

Year Ended April 30,	Mortgage Loans (in thousands)
2019	$ 4,870
2020	71,833
2021	92,177
2022	70,506
2023	27,494
Thereafter	182,534
Total payments	$ 449,414

As noted above, as of October 31, 2018, we owned 41 multifamily and other properties that were not encumbered by mortgages, with 32 of those properties providing credit support for our unsecured borrowings. Our primary unsecured credit facility is a revolving, multi-bank line of credit, with the Bank of Montreal serving as administrative agent. Our line of credit has total commitments of $250.0 million, with borrowing capacity based on the value of properties contained in the unencumbered asset pool ("UAP"). The UAP currently provides for a borrowing capacity of $246.0 million, providing additional borrowing availability of $176.5 million beyond the $69.5 million drawn as of October 31, 2018. This credit facility matures on August 31, 2022 , with one twelve-month option to extend the maturity date at our election.

During the three months ended October 31, 2018, we amended our primary unsecured credit facility. We extended the maturity date on our existing $70.0 million unsecured term loan, which now matures on January 15, 2024. We also added a new $75.0 million, seven-year term loan which matures on August 31, 2025.

The interest rates on the line of credit and term loans are based, at our option, on the lender's base rate plus a margin, ranging from 35-85 basis points, or the London Interbank Offered Rate ("LIBOR"), plus a margin that ranges from 135-190 basis points based on our consolidated leverage. Our line of credit and term loan are subject to customary financial covenants and limitations. We believe that we are in compliance with all such financial covenants and limitations as of October 31, 2018.

We also have a $6.0 million operating line of credit. This operating line of credit is designated to enhance treasury management activities and more effectively manage cash balances. This operating line has a one-year term, with pricing based on a market spread plus the one-month LIBOR index rate. As of October 31, 2018 and April 30, 2018, we have no outstanding balance on this operating line.

The following table summarizes our indebtedness at October 31, 2018:

	(in thousands)		
	October 31, 2018	**April 30, 2018**	**Weighted Average Maturity in Years at October 31, 2018**
Unsecured line of credit	$ 69,500	$ 124,000	3.8
Term loan A	70,000	70,000	5.2
Term loan B	75,000	—	6.8
Unsecured debt	214,500	194,000	
Mortgages payable - fixed	449,414	489,401	4.5
Mortgages payable - variable	—	22,739	
Total debt	$ 663,914	$ 706,140	4.8
Weighted average interest rate on unsecured line of credit	3.72%	3.35%	
Weighted average interest rate on term loan A (rate with swap)	3.75%	3.86%	
Weighted average interest rate on term loan B (rate with swap)	4.60%		
Weighted average interest rate on mortgages payable	4.59%	4.69%	

NOTE 10 • DERIVATIVE INSTRUMENTS

Our objective in using interest rate derivatives is to add stability to interest expense and to manage our exposure to interest rate fluctuations. To accomplish this objective, we primarily use interest rate swap contracts to fix the variable interest rate on our term loans. The interest rate swap contracts qualify as cash flow hedges.

Under ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which we adopted on November 1, 2017, the ineffective portion of a hedging instrument is no longer required to be recognized currently in earnings or disclosed. Changes in the fair value of cash flow hedges are recorded in accumulated other comprehensive income and subsequently reclassified into earnings in the period that the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income for our interest rate swap will be reclassified to interest expense as interest expense is incurred on our term loans. During the next twelve months, we estimate an additional $320,000 will be reclassified as a decrease to interest expense.

At October 31, 2018, we had two interest rate swap contracts in effect with a notional amount of $145.0 million and one additional interest rate swap that becomes effective on January 31, 2023 with a notional amount of $70.0 million.

The table below presents the fair value of our derivative financial instruments as well as their classification on our Condensed Consolidated Balance Sheets as of October 31, 2018 and April 30, 2018.

		(in thousands)	
		October 31, 2018	**April 30, 2018**
	Balance Sheet Location	**Fair Value**	**Fair Value**
Derivative instruments - interest rate swaps	Other Assets	$ 3,321	$ 1,779
Total derivatives designated as hedging instruments		$ 3,321	$ 1,779

The table below presents the effect of the Company's derivative financial instruments on the Condensed Consolidated Statements of Operations as of October 31, 2018 and 2017.

	(in thousands)				
	Gain (Loss) Recognized in OCI		**Location of Gain (Loss) Reclassified from Accumulated OCI into Income**	**Gain (Loss) Reclassified from Accumulated OCI into Income**	
	2018	2017		2018	2017
Three months ended October 31,					
Interest rate contracts	$ 1,247	—	Interest expense	$ 90	—
Total derivatives in cash flow hedging relationships	$ 1,247	—		$ 90	—
Six months ended October 31,					
Interest rate contracts	$ 1,455	—	Interest expense	$ 119	—
Total derivatives in cash flow hedging relationships	$ 1,455	—		$ 119	—

NOTE 11 • FAIR VALUE MEASUREMENTS

Cash and cash equivalents, restricted cash, accounts payable, accrued expenses, and other liabilities are carried at amounts that reasonably approximate their fair value due to their short-term nature. For variable rate debt that re-prices frequently, fair values are based on carrying values. The fair values of our financial instruments approximate their carrying amount in the consolidated financial statements except for fixed rate debt.

In determining the fair value of other financial instruments, we apply FASB ASC 820, "*Fair Value Measurement and Disclosures*," or ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value hierarchy under ASC 820 distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (Levels 1 and 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). Fair value estimates may differ from the amounts that may ultimately be realized upon sale or disposition of the assets and liabilities.

Fair Value Measurements on a Recurring Basis

The fair value of our interest rate swaps are determined using the market standard methodology of netting discounted expected variable cash payments and receipts. The variable cash payments and receipts are based on an expectation of future interest rates (a forward curve) derived from observable market interest rate curves. We also consider both our own nonperformance risk and the counterparty's nonperformance risk in the fair value measurement.

Fair Value Measurements on a Nonrecurring Basis

There were no non-financial assets or liabilities measured at fair value on a nonrecurring basis at October 31, 2018. Non-financial assets measured at fair value on a nonrecurring basis at April 30, 2018, consisted of real estate investments that were written-down to estimated fair value during fiscal year 2018. See Note 2 for additional information on impairment losses recognized during fiscal year 2018. The aggregate fair value of these assets by their levels in the fair value hierarchy is as follows:

	(in thousands)			
	Total	**Level 1**	**Level 2**	**Level 3**
April 30, 2018				
Real estate investments	$ 52,145	—	—	$ 52,145

As of April 30, 2018, we estimated the fair value of our real estate investments using appraisals, a market offer to purchase, market comparisons, and other market data.

Financial Assets and Liabilities Not Measured at Fair Value

For mortgages payable, the fair value of fixed rate loans is estimated based on the discounted cash flows of the loans using market research and management estimates of comparable interest rates (Level 3).

The estimated fair values of our financial instruments as of October 31, 2018, and April 30, 2018, respectively, are as follows:

	(in thousands)			
	October 31, 2018		April 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	$ 12,777	$ 12,777	$ 11,891	$ 11,891
FINANCIAL LIABILITIES				
Revolving line of credit	$ 69,500	$ 69,500	$ 124,000	$ 124,000
Term loan A(1)	$ 70,000	$ 70,000	$ 70,000	$ 70,000
Term loan B(1)	$ 75,000	$ 75,000	$ —	$ —
Mortgages payable	$ 449,414	$ 446,360	$ 509,919	$ 510,803

(1) Excluding the effect of the interest rate swap agreement.

NOTE 12 • REDEEMABLE NONCONTROLLING INTERESTS

Redeemable noncontrolling interests on our Condensed Consolidated Balance Sheets represent the noncontrolling interest in joint ventures in which our unaffiliated partner, at its election, could require us to buy its interest at a purchase price to be determined by an appraisal conducted in accordance with the terms of the agreement, or at a negotiated price. Below is a table reflecting the activity of the redeemable noncontrolling interests.

	(in thousands)
Balance at April 30, 2018	$ 6,644
Net income	(566)
Balance at October 31, 2018	$ 6,078

NOTE 13 • SHARE-BASED COMPENSATION

Share-based awards are provided to officers, non-officer employees, and trustees under our 2015 Incentive Plan approved by shareholders on September 15, 2015, which allows for awards in the form of cash, unrestricted and restricted common shares, and restricted stock units ("RSUs") up to an aggregate of 4,250,000 shares over the ten-year period in which the plan will be in effect. Under our 2015 Incentive Plan, officers and non-officer employees may earn share awards under a revised long-term incentive plan, which is a forward-looking program that measures long-term performance over the stated performance period. These awards are payable to the extent deemed earned in shares. The terms of the long-term incentive awards granted under the revised program may vary from year to year.

Fiscal Year 2019 LTIP Awards

Awards granted to trustees on July 20, 2018, consist of 64,972 time-based RSU awards. All of these awards are classified as equity awards. The time-based RSUs vest on July 20, 2019.

Awards granted to management on July 20, 2018, consist of time-based RSU awards for 74,920 shares and performance RSU awards based on total shareholder return (“TSR”), for 149,846 shares. All of these awards are classified as equity awards. The time-based RSU awards vest as to one-third of the shares on each of July 20, 2019, April 30, 2020, and April 30, 2021.

Awards granted on August 10, 2018, consist of 2,368 time-based RSU awards that vest as to one-third on each of August 10, 2019, April 30, 2020, and April 30, 2021; 4,736 performance RSU awards based on TSR; and 5,535 time-based RSU awards that vest as to one-third on each of August 10, 2019, August 10, 2020, and August 10, 2021. All of these awards are classified as equity awards.

The TSR performance RSU awards are earned based on our TSR as compared to the MSCI U.S. REIT Index over a forward-looking three-year period. The maximum number of RSUs eligible to be earned under this performance based award is 299,692 RSUs, which is 200% of the RSUs granted. Earned awards (if any) will fully vest as of the last day of the measurement period. These awards have market conditions in addition to service conditions that must be met for the awards to vest. We recognize compensation expense ratably based on the grant date fair value, as determined using the Monte Carlo valuation model, regardless whether the market conditions are achieved and the awards ultimately vest. Therefore, previously recorded compensation expense is not adjusted in the event that the market conditions are not achieved. We based the expected volatility on the historical volatility of our daily closing share price, the risk-free interest rate on the interest rates on U.S. treasury bonds with a maturity equal to the remaining performance period of the award, and the expected term on the performance period of the award. The assumptions used to value the performance RSU awards were an expected volatility of 28.6%, a risk-free interest rate of 2.66%, and an expected life of 2.78 years. The share price at the grant date, July 20, 2018, was $5.36 per share.

Total Compensation Expense

Share-based compensation expense recognized in the consolidated financial statements for all outstanding share-based awards was $579,811 and $751,000 for the six months ended October 31, 2018 and 2017, respectively.

NOTE 14 • RELATED PARTY TRANSACTIONS

Transactions with BMO Capital Markets

We have an historical and ongoing relationship with BMO Capital Markets (“BMO”). On July 17, 2017, we engaged BMO to provide financial advisory services in connection with the proposed disposition of our healthcare property portfolio. A family member of Mark O. Decker, Jr., our President and Chief Executive Officer, is an employee of BMO and could have an indirect material interest in any such engagement and related transaction(s). The Board pre-approved the engagement of BMO. During the quarter ended January 31, 2018, we completed the disposition of 27 healthcare properties and paid BMO a transaction fee of $1.8 million in connection with this engagement.

NOTE 15 • SUBSEQUENT EVENTS

Completed Disposition. On November 30, 2018 we sold a commercial property in Minot, ND for a sale price of $6.6 million.

Share Repurchase Program. On December 5, 2018, our Board of Trustees reauthorized our common share repurchase program for an additional one-year period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements included in this report, our audited financial statements for the fiscal year ended April 30, 2018, which are included in our Form 10-K filed with the SEC on June 28, 2018, and the risk factors in Item 1A., "Risk Factors," of our Form 10-K for the fiscal year ended April 30, 2018.

We consider this and other sections of this Report to contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to our expectations for future periods. Forward-looking statements do not discuss historical fact, but instead include statements related to expectations, projections, intentions or other items related to the future. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," and variations of those words and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements to be materially different from the results of operations, financial conditions, or plans expressed or implied by the forward-looking statements. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be achieved. Any statements contained herein that are not statements of historical fact should be deemed forward-looking statements. As a result, reliance should not be placed on these forward-looking statements, as these statements are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from our actual results and performance.

The following factors, among others, could cause our future results to differ materially from those expressed in the forward-looking statements:

- economic conditions in the markets where we own properties or markets in which we may invest in the future;
- rental conditions in our markets, including occupancy levels and rental rates, our potential inability to renew residents or obtain new residents upon expiration of existing leases, changes in tax and housing laws, or other factors;
- adverse changes in real estate markets, including future demand for apartment homes in our significant markets, barriers of entry into new markets, limitations on our ability to increase rental rates, our ability to identify and consummate attractive acquisitions and dispositions on favorable terms, our ability to reinvest sales proceeds successfully, and our inability to accommodate any significant decline in the market value of real estate serving as collateral for our mortgage obligations;
- inability to succeed in any new markets we enter;
- failure of new acquisitions to achieve anticipated results or be efficiently integrated;
- inability to complete lease-up of our projects on schedule and on budget;
- inability to sell our non-core properties on terms that are acceptable;
- failure to reinvest proceeds from sales of properties into tax-deferred exchanges, which could necessitate special dividend and tax protection payments;
- inability to fund capital expenditures out of cash flow;
- inability to pay, or need to reduce, dividends on our common shares;
- financing risks, including our potential inability to obtain debt or equity financing on favorable terms, or at all;
- level and volatility of interest or capitalization rates or capital market conditions;
- changes in operating costs, including real estate taxes, utilities, and insurance costs;
- the availability and cost of casualty insurance for losses;
- inability to continue to satisfy complex rules in order to maintain our status as a REIT for federal income tax purposes, inability of the Operating Partnership to satisfy the rules to maintain its status as a partnership for federal income tax purposes, and the risk of changes in laws affecting REITs;
- inability to attract and retain qualified personnel;
- cyber liability or potential liability for breaches of our privacy or information security systems;
- inability to comply with environmental laws and regulations; and
- other risks identified in this Report, in other SEC reports, or in other documents that we publicly disseminate.

New factors may also arise from time to time that could have a material adverse effect on our business and results of operations. Except as otherwise required by law, we undertake no obligation to publicly update or revise these forward-looking statements to reflect events, circumstances, or changes in expectations after the date on which this Report is filed. Readers also should review the risks and uncertainties detailed from time to time in our filings with the SEC, including the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" contained in our Annual Report on Form 10-K for the fiscal year ended April 30, 2018.

Executive Summary

We own, manage, acquire, redevelop, and develop apartment communities. We primarily focus on investing in markets characterized by stable and growing economic conditions, strong employment, and an attractive quality of life that we believe, in combination, lead to higher demand for our apartment homes and retention of our residents. As of October 31, 2018, we owned interests in 87 apartment communities consisting of 13,702 apartment homes. Property owned was $1.6 billion at October 31, 2018, compared to $1.7 billion at April 30, 2018.

Renting apartment homes is our primary source of revenue, and our business objective is to provide great homes for our residents. We strive to maximize resident satisfaction and retention by investing in high-quality assets in desirable locations and creating vibrant apartment communities through service-oriented operations. We believe that delivering superior resident experiences will enhance resident satisfaction while also driving profitability for our business and our shareholders. We have paid quarterly distributions continuously since our first distribution in 1971.

Overview of the Three Months Ended October 31, 2018

For the three months ended October 31, 2018, revenues increased by $3.7 million to $45.6 million, compared to $41.9 million for the three months ended October 31, 2017. Expenses increased by $2.8 million to $43.4 million for the three months ended October 31, 2018, compared to $40.6 million for the three months ended October 31, 2017. The drivers of these changes are discussed in the “Results of Operations” section below.

Summarized below are significant transactions that occurred during the second quarter of our fiscal year 2019:

- On August 31, 2018, we amended our credit agreement to:
    - increase the overall unsecured facility from $370 million to $395 million, reallocating the commitment for the revolving line of credit to $250 million and the remaining $145 million between two term loans;
    - extend the maturity of the revolving line of credit to August 2022;
    - extend the existing $70 million unsecured term loan maturity to January 2024; and
    - add a new $75 million, 7-year unsecured term loan maturing in August 2025.

  Under the amendment, the interest rate on our existing facilities decreased by 25-35 basis points (depending on our overall leverage). We also entered into a swap agreement for the entire $75 million and full term of the new unsecured 7-year term loan in our ongoing effort to reduce floating interest rate exposure.

- On September 10, 2018, we entered into a swap agreement covering the extension of the $70 million term loan from January 2023 to January 2024, resulting in both term loans being covered by swap agreements for the duration of the terms.

- We sold one commercial property and one parcel of land for a total sale price of $3.1 million.

Subsequent to quarter-end, we engaged in the following transaction:

- On December 5, 2018, we reauthorized our common share repurchase program for an additional one-year period.

- On November 30, 2018, we sold a commercial property in Minot, North Dakota for a sale price of $6.6 million.

Table of Contents

RESULTS OF OPERATIONS

Consolidated Results of Operations for the Three and Six Months Ended October 31, 2018 and 2017

The discussion that follows is based on our consolidated results of operations for the three and six months ended October 31, 2018 and 2017. Information about our same-store property results is contained in the Net Operating Income section below.

(in thousands, except percentages)

	Three Months Ended				Six Months Ended October 31,			
	October 31,		2018 vs. 2017		October 31,		2018 vs. 2017	
	2018	2017	$ Change	% Change	2018	2017	$ Change	% Change
REVENUE	$ 45,638	$ 41,866	$ 3,772	9.0 %	$ 91,584	$ 82,844	$ 8,740	10.5 %
Property operating expenses, excluding real estate taxes	14,247	14,108	139	1.0 %	28,706	26,982	1,724	6.4 %
Real estate taxes	5,089	4,610	479	10.4 %	10,159	9,263	896	9.7 %
Property management expenses	1,319	1,372	(53)	(3.9)%	2,686	2,728	(42)	(1.5)%
Casualty loss	225	115	110	95.7 %	450	600	(150)	(25.0)%
Depreciation and amortization	19,191	17,270	1,921	11.1 %	37,803	42,608	(4,805)	(11.3)%
Impairment of real estate investments	—	—	—	n/a	—	256	(256)	n/a
General and administrative expenses	3,374	3,118	256	8.2 %	7,244	7,120	124	1.7 %
TOTAL EXPENSES	$ 43,445	$ 40,593	$ 2,852	7.0 %	$ 87,048	$ 89,557	$ (2,509)	(2.8)%
Operating income (loss)	2,193	1,273	920	72.3 %	4,536	(6,713)	11,249	(167.6)%
Interest expense	(7,997)	(8,509)	512	(6.0)%	(16,382)	(16,640)	258	(1.6)%
Loss on extinguishment of debt	(4)	(334)	330	(98.8)%	(556)	(533)	(23)	4.3 %
Interest income	410	199	211	106.0 %	891	220	671	305.0 %
Other income	19	56	(37)	(66.1)%	54	263	(209)	(79.5)%
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations	(5,379)	(7,315)	1,936	(26.5)%	(11,457)	(23,403)	11,946	(51.0)%
Gain (loss) on sale of real estate and other investments	(232)	5,324	(5,556)	(104.4)%	8,992	5,448	3,544	65.1 %
Income (loss) from continuing operations	(5,611)	(1,991)	(3,620)	181.8 %	(2,465)	(17,955)	15,490	(86.3)%
Income (loss) from discontinued operations	—	15,130	(15,130)	(100.0)%	570	17,815	(17,245)	(96.8)%
NET INCOME (LOSS)	$ (5,611)	$ 13,139	$ (18,750)	(142.7)%	$ (1,895)	$ (140)	$ (1,755)	1,253.6 %
Net (income) loss attributable to noncontrolling interests – Operating Partnership	722	(773)	1,495	(193.4)%	587	871	(284)	(32.6)%
Net (income) loss attributable to noncontrolling interests – consolidated real estate entities	331	455	(124)	(27.3)%	(334)	826	(1,160)	(140.4)%
Net income (loss) attributable to controlling interests	(4,558)	12,821	(17,379)	(135.6)%	(1,642)	1,557	(3,199)	(205.5)%
Dividends to preferred shareholders	(1,706)	(2,812)	1,106	(39.3)%	(3,411)	(5,098)	1,687	(33.1)%
Redemption of Preferred Shares	—	(3,649)	3,649	(100.0)%	—	(3,649)	3,649	(100.0)%
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (6,264)	$ 6,360	$ (12,624)	(198.5)%	$ (5,053)	$ (7,190)	$ 2,137	(29.7)%

Revenues. Revenues for the three months ended October 31, 2018, were $45.6 million, compared to $41.9 million in the three months ended October 31, 2017, an increase of $3.8 million or 9.0%. The increase in revenue for the three months ended October 31, 2018, resulted primarily from properties acquired in fiscal year 2018 and same-store properties, as shown in the table below.

Increase in Total Revenue		*(in thousands)* **Three Months Ended October 31, 2018**
Increase in revenue from non-same-store apartment communities	$	5,119
Increase in revenue from same-store apartment communities		1,298
Decrease in revenue from other properties and dispositions		(2,645)
Net increase in total revenue	$	3,772

Revenues for the six months ended October 31, 2018, were $91.6 million, compared to $82.8 million in the six months ended October 31, 2017, an increase of $8.7 million or 10.5%. The increase in revenue for the six months ended October 31, 2018, resulted primarily from properties acquired in fiscal year 2018 and same-store properties, as shown in the table below.

Increase in Total Revenue		*(in thousands)* **Six Months Ended October 31, 2018**
Increase in revenue from non-same-store apartment communities	$	11,140
Increase in revenue from same-store apartment communities		2,368
Decrease in revenue from other properties and dispositions		(4,768)
Net increase in total revenue	$	8,740

Property Operating Expenses, Excluding Real Estate Taxes. Property operating expenses, excluding real estate taxes, increased by 1.0% to $14.2 million in the three months ended October 31, 2018, compared to $14.1 million in the same period of the prior fiscal year. An increase of $1.4 million at non-same-store properties was offset by decreases of $517,000 at same-store properties and $769,000 from sold properties.

Property operating expenses, excluding real estate taxes, increased by 6.4% to $28.7 million in the six months ended October 31, 2018, compared to $27.0 million in the same period of the prior fiscal year. An increase of $3.0 million at non-same-store properties was partially offset by decreases of $188,000 at same-store properties and $1.1 million from sold properties.

Real Estate Taxes. Real estate taxes increased by 10.4% to $5.1 million in the three months ended October 31, 2018, compared to $4.6 million in the same period of the prior fiscal year. An increase of $584,000 at non-same-store properties and $123,000 at same-store properties was partially offset by a decrease of $228,000 from sold and other properties.

Real estate taxes increased by 9.7% to $10.2 million in the six months ended October 31, 2018, compared to $9.3 million in the same period of the prior fiscal year. An increase of $1.2 million at non-same-store properties and $309,000 at same-store properties was partially offset by a decrease of $794,000 from sold properties.

Property Management Expenses. Property management expense decreased by 3.9% to $1.3 million in the three months ended October 31, 2018, compared to $1.4 million in the same period of the prior fiscal year. Property management expense was $2.7 million in each of the six months ended October 31, 2018 and 2017.

Depreciation and Amortization. Depreciation and amortization increased by 11.1% to $19.2 million in the three months ended October 31, 2018, compared to $17.3 million in the same period of the prior fiscal year, primarily attributable to non-same-store properties.

Depreciation and amortization decreased by 11.3% to $37.8 million in the six months ended October 31, 2018, compared to $42.6 million in the same period of the prior fiscal year. This decrease was primarily due to a change in the estimated useful lives of our assets in the prior fiscal year, offset by increased depreciation from non-same-store properties.. In the six months ended October 31, 2017, we recognized an additional $9.0 million in depreciation expense due to a one-time adjustment for assets that were fully depreciated under the new estimated useful lives. See Note 2 of the Notes to the Condensed Consolidated Financial Statements in this report for additional information.

Impairment of Real Estate Investments. We recognized no impairment in the six months ended October 31, 2018, compared to $256,000 in the same period of the prior fiscal year. See Note 2 of the Notes to the Condensed Consolidated Financial Statements in this report for additional information.

General and Administrative Expenses. General and administrative expenses increased by 8.2% to $3.4 million in the three months ended October 31, 2018, compared to $3.1 million in the same period of the prior fiscal year, due primarily to higher estimated incentive compensation related to the expected achievement of certain financial metric targets. General and administrative expenses increased by 1.7% to $7.2 million in the six months ended October 31, 2018, compared to $7.1 million in the same period of the prior fiscal year.

Interest Expense. Interest expense decreased by 6.0% to $8.0 million in the three months ended October 31, 2018, compared to $8.5 million in the same period of the prior fiscal year, due primarily to a decrease in average debt outstanding. Interest expense decreased by 1.6% to $16.4 million in the six months ended October 31, 2018, compared to $16.6 million in the same period of the prior fiscal year, due primarily to a decrease in debt outstanding.

Gain (loss) on Sale of Real Estate and Other Investments. We recorded a net loss of $232,000 and a net gain of $5.3 million in continuing operations in the three months ended October 31, 2018 and 2017, respectively. We recorded net gains of $9.0 million and $5.4 million in continuing operations in the six months ended October 31, 2018 and 2017, respectively. Properties sold in the three and six months ended October 31, 2018 and 2017, are detailed below in the section captioned "Property Acquisitions and Dispositions."

Income from Discontinued Operations. We recorded no income from discontinued operations in the three months ended October 31, 2018, compared to $15.1 million in the same period of the prior fiscal year. We recorded income from discontinued operations of $570,000 and $17.8 million , respectively, in the six months ended October 31, 2018 and 2017. See Note 7 of the Notes to the Condensed Consolidated Financial Statements in this report for further information on discontinued operations.

Net Operating Income

Net Operating Income ("NOI") is a non-U.S. GAAP measure, which we define as total real estate revenues less real estate expenses. Real estate expenses consist of property operating expenses and real estate tax expense and do not include property management expense. We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of operations that is unaffected by depreciation, amortization, financing, and general and administrative expenses. NOI does not represent cash generated by operating activities in accordance with U.S. GAAP and should not be considered an alternative to net income, net income available for common shareholders, or cash flow from operating activities as a measure of financial performance.

The following table shows real estate revenue, real estate operating expenses, and NOI for the three and six months ended October 31, 2018 and 2017, respectively, for our multifamily and other properties. For a reconciliation of NOI to net income as reported, see Note 5 of the Notes to the Condensed Consolidated Financial Statements in this report.

The table also shows multifamily NOI on a same-store and non-same-store properties basis. Same-store properties are properties owned or in service for the entirety of the periods being compared, and, in the case of development or re-development properties, those that have achieved a target level of occupancy of 90%. For comparison of the six months ended October 31, 2018 and 2017, four apartment communities were categorized as non-same-store.

This comparison allows us to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a same-store property basis is useful to investors because it enables evaluation of how our properties are performing year-over-year. Management uses this measure to assess whether or not it has been successful in increasing NOI and controlling operating costs. The discussion below focuses on the main factors affecting real estate revenue and real estate expenses from same-store properties.

	(in thousands, except percentages)							
	Three Months Ended October 31,				**Six Months Ended October 31,**			
	2018	**2017**	**$ Change**	**% Change**	**2018**	**2017**	**$ Change**	**% Change**
Real estate revenue								
Same-store	$ 37,208	$ 35,910	$ 1,298	3.6 %	$ 73,946	$ 71,578	$ 2,368	3.3 %
Non-same-store	6,666	1,547	5,119	330.9 %	13,017	1,877	11,140	593.5 %
Other properties and dispositions	1,764	4,409	(2,645)	(60.0)%	4,621	9,389	(4,768)	(50.8)%
Total	$ 45,638	$ 41,866	$ 3,772	9.0 %	$ 91,584	$ 82,844	$ 8,740	10.5 %
Real estate expenses								
Same-store	$ 16,079	$ 16,473	$ (394)	(2.4)%	$ 32,172	$ 32,051	$ 121	0.4 %
Non-same-store	2,689	728	1,961	269.4 %	5,082	883	4,199	475.5 %
Other properties and dispositions	568	1,517	(949)	(62.6)%	1,611	3,311	(1,700)	(51.3)%
Total	$ 19,336	$ 18,718	$ 618	3.3 %	$ 38,865	$ 36,245	$ 2,620	7.2 %
Net operating income								
Same-store	$ 21,129	$ 19,437	$ 1,692	8.7 %	$ 41,774	$ 39,527	$ 2,247	5.7 %
Non-same-store	3,977	819	3,158	385.6 %	7,935	994	6,941	698.3 %
Other properties and dispositions	1,196	2,892	(1,696)	(58.6)%	3,010	6,078	(3,068)	(50.5)%
Total	$ 26,302	$ 23,148	$ 3,154	13.6 %	$ 52,719	$ 46,599	$ 6,120	13.1 %
Reconciliation of NOI to net income (loss) available to common shareholders								
Property management	$ (1,319)	$ (1,372)			$ (2,686)	$ (2,728)		
Casualty loss	(225)	(115)			(450)	(600)		
Depreciation/amortization	(19,191)	(17,270)			(37,803)	(42,608)		
Impairment of real estate investments	—	—			—	(256)		
General and administrative expenses	(3,374)	(3,118)			(7,244)	(7,120)		
Interest expense	(7,997)	(8,509)			(16,382)	(16,640)		
Loss on debt extinguishment	(4)	(334)			(556)	(533)		
Interest and other income	429	255			945	483		
Income (loss) before gain on sale of real estate and other investments and income (loss) from discontinued operations	(5,379)	(7,315)			(11,457)	(23,403)		
Gain (loss) on sale of real estate and other investments	(232)	5,324			8,992	5,448		
Income (loss) from continuing operations	(5,611)	(1,991)			(2,465)	(17,955)		
Income (loss) from discontinued operations	—	15,130			570	17,815		
Net income (loss)	$ (5,611)	$ 13,139			$ (1,895)	$ (140)		

Occupancy[1]	**October 31, 2018**	**October 31, 2017**
Same-store	95.4%	95.2%
Non-same-store	92.7%	92.4%
Total	95.1%	94.8%

(1) Occupancy represents the actual number of units leased divided by the total number of units at the end of the period.

Number of Units	**October 31, 2018**	**October 31, 2017**
Same-store	12,347	11,384
Non-same-store	1,355	2,192
Total	13,702	13,576

Real estate revenue from same-store properties increased by 3.6% or $1.3 million in the three months ended October 31, 2018, compared to the same period in the prior fiscal year, due to growth in average rental revenue.

Real estate revenue from same-store properties increased by 3.3% or $2.4 million in the six months ended October 31, 2018, compared to the same period in the prior fiscal year. Approximately 3.0% of the increase was attributable to growth in average rental revenue, and 0.3% of the increase was attributable to higher average occupancy.

Real estate expenses at same-store properties decreased by 2.4% or $394,000 in the three months ended October 31, 2018, compared to the same period in the prior fiscal year. The decrease was primarily attributable to lower property operating expenses due to cost containment initiatives implemented at the end of the first quarter of fiscal year 2019 and lower insurance costs due to favorable loss experience, partially offset by an increase in real estate taxes due to increases in levy rates in select markets.

Real estate expenses at same-store properties increased by 0.4% or $121,000 in the six months ended October 31, 2018, compared to the same period in the prior fiscal year. Increases occurred in utilities and in real estate taxes due to increases in levy rates in select markets, offset by lower insurance costs due to favorable loss experience.

PROPERTY ACQUISITIONS AND DISPOSITIONS

During the second quarter of fiscal year 2019, we sold one commercial property and one parcel of unimproved land for a total sale price of $3.1 million. During the second quarter of fiscal year 2019, we had no acquisitions of properties. See Note 8 of the Notes to Condensed Consolidated Financial Statements in this report for a table detailing our acquisitions and dispositions during the six-month periods ended October 31, 2018 and 2017.

FUNDS FROM OPERATIONS

We consider Funds from Operations ("FFO") to be a useful measure of performance for an equity REIT. We use the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"). NAREIT currently defines FFO as net income or loss attributable to common shareholders computed in accordance with GAAP, adjusted for:

- depreciation and amortization related to real estate;
- gains and losses from the sale of certain real estate assets;
- gains and losses from change in control; and
- impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity.

Due to limitations of the FFO definition adopted by NAREIT, we have made certain interpretations in applying the definition. We believe that all such interpretations not specifically provided for in the NAREIT definition are consistent with the definition. Effective for the third quarter of fiscal year 2018, we included impairment charges in FFO for assets incidental to our main business.

We believe that FFO, which is a standard supplemental measure for equity real estate investment trusts, is helpful to investors in understanding our operating performance, primarily because its calculation excludes depreciation and amortization expense on real estate assets, thereby providing an additional perspective on our operating results. We believe that GAAP historical cost depreciation of real estate assets generally is not correlated with changes in the value of those assets, whose value does not diminish predictably over time, as historical cost depreciation implies. The exclusion in NAREIT's definition of FFO of impairment write-downs and gains and losses from the sale of previously depreciated operating real estate assets helps to identify the operating results of the long-term assets that form the base of our investments, and assists management and investors in comparing those operating results between periods. FFO is also used by our management and investors to identify trends in occupancy rates, rental rates, and operating costs.

While FFO is widely used by us as a primary performance metric, not all real estate companies use the same definition of FFO or calculate FFO the same way. Accordingly, FFO presented here is not necessarily comparable to FFO presented by other real estate companies. FFO should not be considered as an alternative to net income or any other GAAP measurement of performance, but rather should be considered as an additional, supplemental measure. FFO also does not represent cash generated from operating activities in accordance with U.S. GAAP, and is not necessarily indicative of sufficient cash flow to fund all of our needs or our ability to service indebtedness or make distributions.

FFO applicable to Common Shares and Units for the three months ended October 31, 2018, increased to $11.7 million compared to $9.5 million for the comparable period ended October 31, 2017, an increase of 23.5%. This increase was primarily due to higher net operating income at same-store and non-same-store properties, reduction in preferred dividends, and costs incurred in the prior comparable period for the redemption of preferred shares. The increase was partially offset by the reduction in net operating income from dispositions. FFO applicable to Common Shares and Units for the six months ended October 31, 2018, decreased to $22.2 million compared to $22.5 million for the comparable period ended October 31, 2017, a reduction of 1.2%.

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO CONTROLLING INTERESTS TO FUNDS FROM OPERATIONS

	(in thousands, except per share and unit amounts)					
Three Months Ended October 31,	**2018**			**2017**		
	Amount	**Weighted Avg Shares and Units(1)**	**Per Share and Unit(2)**	**Amount**	**Weighted Avg Shares and Units(1)**	**Per Share and Unit(2)**
Net income (loss) attributable to controlling interests	$ (4,558)			$ 12,821		
Less dividends to preferred shareholders	(1,706)			(2,812)		
Less redemption of preferred shares	—			(3,649)		
Net income (loss) available to common shareholders	(6,264)	119,396	$ (0.05)	6,360	120,144	$ 0.05
Adjustments:						
Noncontrolling interests – Operating Partnership	(722)	13,789		773	14,623	
Depreciation and amortization	18,446			19,894		
Impairment of real estate attributable to controlling interests	—			—		
Gains on depreciable property sales attributable to controlling interests	232			(17,562)		
Funds from operations applicable to common shares and Units	$ 11,692	133,185	$ 0.09	$ 9,465	134,767	$ 0.07

	(in thousands, except per share and unit amounts)					
Six Months Ended October 31,	**2018**			**2017**		
	Amount	**Weighted Avg Shares and Units(1)**	**Per Share and Unit(2)**	**Amount**	**Weighted Avg Shares and Units(1)**	**Per Share and Unit(2)**
Net income attributable to controlling interests	(1,642)			1,557		
Less dividends to preferred shareholders	(3,411)			(5,098)		
Less redemption of preferred shares	—			(3,649)		
Net income available to common shareholders	(5,053)	119,320	(0.04)	(7,190)	120,282	(0.06)
Adjustments:						
Noncontrolling interests – Operating Partnership	(587)	13,924		(871)	14,912	
Depreciation and amortization	36,282			48,013		
Impairment of real estate attributable to controlling interests	—			256		
Gains on depreciable property sales attributable to controlling interests	(8,395)			(17,686)		
Funds from operations applicable to common shares and Units	$ 22,247	133,244	$ 0.17	$ 22,522	135,194	$ 0.17

(1) Upon the exercise of Exchange Rights, Units of the Operating Partnership are exchangeable for cash or, at our discretion, for common shares on a one-for-one basis.
(2) Net income attributable to Investors Real Estate Trust is calculated on a per common share basis. FFO is calculated on a per common share and Unit basis.

DISTRIBUTIONS

Distributions of $0.07 and $0.14 per Common Share and Unit were paid, respectively, during the three and six months ended October 31, 2018 and 2017.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Financial Condition

We desire to create and maintain a strong balance sheet that offers financial flexibility and enables us to pursue and acquire properties that enhance our portfolio composition, operating metrics, and cash flow growth prospects. We intend to strengthen our capital and liquidity positions by continuing to focus on improving our core fundamentals, which include generating positive cash flows from operations, maintaining appropriate debt levels and leverage ratios, and controlling overhead costs.

Our primary sources of liquidity are cash and cash equivalents on hand and cash flows generated from operations. Other sources include availability under our unsecured lines of credit, proceeds from property dispositions, offerings of preferred and common stock under our shelf registration statement, and unsecured term loans or long-term secured mortgages.

Our primary liquidity demands are normally-recurring operating and overhead expenses, debt service and repayments, capital improvements to our properties, distributions to the holders of our preferred shares, Common Shares, and Units, value-add redevelopment, and acquisition of additional properties.

We believe that our financial condition and liquidity are sufficient to meet our reasonably anticipated liquidity demands during 2019 and 2020. Factors that could increase or decrease our future liquidity include, but are not limited to, volatility in capital and credit markets, our ability to access capital and credit markets, the minimum REIT dividend requirements, and our ability to complete asset purchases, sales, or developments.

Capital Resources and Cash Flows

As of October 31, 2018, we had total liquidity of approximately $195.3 million, which includes $176.5 million available on our line of credit, $12.8 million of cash and cash equivalents, and $6.0 million under an operating line of credit described below. As of April 30, 2018, we had total liquidity of approximately $193.9 million, which included $176.0 million on our line of credit, $11.9 million of cash and cash equivalents, and $6.0 million under an operating line of credit.

As of October 31, 2018, we also had restricted cash consisting of $5.1 million of escrows held by lenders for real estate taxes, insurance, and capital additions. As of April 30, 2018, we had restricted cash consisting of $4.2 million of escrows held by lenders for real estate taxes, insurance, and capital additions.

During the three months ended October 31, 2018, we amended our primary unsecured credit facility. We increased our overall unsecured facility from $370.0 million to $395.0 million, reallocating the commitment for the revolving line of credit from $300.0 million to $250.0 million and reallocating the remaining $145.0 million between two term loans: a $70.0 million unsecured term loan that matures on January 15, 2024 and a $75.0 million unsecured term loan that matures on August 31, 2025. As of October 31, 2018, our line of credit had total commitments of $250.0 million, with borrowing capacity based on the value of properties contained in an unencumbered asset pool (UAP). The UAP provided for a borrowing capacity of approximately $246.0 million at quarter-end, offering additional borrowing availability of $176.5 million beyond the $69.5 million drawn as of October 31, 2018. At April 30, 2018, the line of credit borrowing capacity was $300.0 million based on the UAP, of which $124.0 million was drawn on the line.

During the year ended April 30, 2018, we entered into a $6.0 million operating line of credit. This operating line of credit is designed to enhance treasury management activities and more effectively manage cash balances. This operating line has a one-year term, with pricing based on a market spread plus the one-month LIBOR index rate.

For information regarding our cash flows for the six months ended October 31, 2018 and 2017, see the Condensed Consolidated Statements of Cash Flows in Part I, Item 1 above.

In addition to cash flow from operations, during the six months ended October 31, 2018, we generated cash from various activities, including:

- The disposition of three apartment communities, three commercial properties, and three parcels of land for a total sale price of $52.2 million. The net proceeds of these transactions was $21.6 million after pay down of debt, and we distributed $1.9 million of the net proceeds to our joint venture partners in those transactions.

During the six months ended October 31, 2018, we used cash for various activities, including:

- Repaying $62.7 million of mortgage principal; and
- Funding capital expenditures for apartment communities of approximately $6.8 million.

CRITICAL ACCOUNTING POLICIES

In preparing the condensed consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. A summary of our critical accounting policies is included in our Form 10-K for the fiscal year ended April 30, 2018, filed with the SEC on June 28, 2018 under the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Effective May 1, 2018, we adopted ASU 2014-09, "*Revenue from Contracts With Customers,*" which eliminates the transaction- and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition Refer to Note 2 of the Notes to Condensed Consolidated Financial Statements in this report for additional information. There have been no other significant changes to our critical accounting policies during the six months ended October 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is primarily related to fluctuations in the general level of interest rates on our current and future fixed and variable rate debt obligations. We currently use interest rate swaps to offset the impact of interest rate fluctuations on our $70.0 million and $75.0 million variable-rate term loans. The swap on our $70.0 million term loan has a notional amount of $70.0 million and an average pay rate of 2.16%. The swap on our $75.0 million term loan has a notional amount of $75.0 million and an average pay rate of 2.81%. The fair value of our interest rate swap contracts is $3.3 million. We do not enter into derivative instruments for trading or speculative purposes. The interest rate swap exposes us to credit risk in the event of non-performance by the counterparty under the terms of the agreement.

As of October 31, 2018, we had no variable-rate mortgage debt outstanding and $214.5 million of variable-rate borrowings under our line of credit and term loans, of which, $145.0 million is fixed through interest rate swaps. We estimate that an increase in 30-day LIBOR of 100 basis points with constant risk spreads would result in our net income being reduced by approximately $695,000 on an annual basis. We estimate that a decrease in 30-day LIBOR of 100 basis points would increase the amount of net income by a similar amount.

Mortgage loan indebtedness decreased by $62.7 million as of October 31, 2018, compared to April 30, 2018, due to loan payoffs and property dispositions. As of October 31, 2018, 100% of our $449.4 million of mortgage debt was at fixed rates of interest, with staggered maturities, compared to 95.6% as of April 30, 2018. As of October 31, 2018, the weighted average rate of interest on our mortgage debt was 4.59%, compared to 4.69% on April 30, 2018. Our goal is to minimize exposure to interest rate risk; however, we may become vulnerable to significant fluctuations in interest rates on any future repricing or refinancing of our fixed or variable rate debt and on future debt.

The following table provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. Average variable rates are based on rates in effect at the reporting date.

	(in thousands, except for interest rates)							
	Remaining Fiscal 2019	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Thereafter**	**Total**	**Fair Value**
Debt								
Fixed Rate	$ 4,870	$ 71,833	$ 92,177	$ 70,506	$ 27,494	$ 182,534	$ 449,414	$ 446,360
Average Interest Rate(1)	4.60%	5.28%	5.03%	4.51%	4.12%			
Variable Rate(2)	—	—	—	—	$ 69,500	$ 145,000	$ 214,500	$ 214,500
Average Interest Rate(1)	—	—	—	—	3.72%			

(1) Interest rate is annualized.

(2) Excludes the effect of the interest rate swap agreement.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures:

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of October 31, 2018, such disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting:

As of May 1, 2018, we adopted ASU 2014-09, Revenue from Contracts with Customers. There were no significant changes to the internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) due to the adoption of this new standard.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

There have been no material changes to the Risk Factors previously disclosed in Item 1A in our Annual Report on Form 10-K for the fiscal year ended April 30, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Securities

During the second quarter of fiscal year 2019, we issued 124,000 unregistered Common Shares to limited partners of the Operating Partnership, upon exercise of their exchange rights regarding an equal number of Units. All such issuances of Common Shares were exempt from registration as private placements under Section 4(2) of the Securities Act, including Regulation D promulgated thereunder.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits

The following exhibits are filed as part of this Report.

EXHIBIT INDEX

Exhibit No.	Description
1.1	Underwriting Agreement, dated September 26, 2017, by and among Investors Real Estate Trust, IRET Properties, A North Dakota Limited Partnership, and the several Underwriters listed on Schedule I attached thereto, for whom BMO Capital Markets Corp. and Raymond James & Associates, Inc. are acting as representatives (incorporated by reference to Exhibit 1.1 to the Registrant's Current Report on Form 8-K filed on October 2, 2017).
3.1	Articles Supplementary to the Registrant's Articles of Amendment and Third Restated Declaration of Trust designating the Registrant's 6.625% Series C Cumulative Redeemable Preferred Shares, no par value per share (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form 8-A filed on September 28, 2017).
3.2	Third Amendment to the Agreement of Limited Partnership of IRET Properties, A North Dakota Limited Partnership (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on October 2, 2017).
3.3*	Sixth Restated Trustee's Regulations (Bylaws) of Investors Real Estate Trust, adopted on September 20, 2018.
10.1	Second Amended and Restated Credit Agreement, dated as of August 31, 2018, among IRET Properties, A North Dakota Limited Partnership, as Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto, KeyBank, National Association and PNC Bank, National Association, as Syndication Agents, and Bank of Montreal, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 6, 2018).
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Executive Vice President and Chief Financial Officer
32.1*	Section 906 Certifications of Chief Executive Officer
32.2*	Section 906 Certifications of Executive Vice President and Chief Financial Officer
101 INS**	INSTANCE DOCUMENT
101 SCH**	SCHEMA DOCUMENT
101 CAL**	CALCULATION LINKBASE DOCUMENT
101 LAB**	LABELS LINKBASE DOCUMENT
101 PRE**	PRESENTATION LINKBASE DOCUMENT
101 DEF**	DEFINITION LINKBASE DOCUMENT

* Filed herewith

** Submitted electronically herewith. Attached as Exhibit 101 are the following materials from our Quarterly Report on Form 10-Q for the quarter ended October 31, 2018, formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (ii) the Condensed Consolidated Statements of Equity; (iv) the Condensed Consolidated Statements of Cash Flows; and (v) notes to these condensed consolidated financial statements.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INVESTORS REAL ESTATE TRUST
(Registrant)

/s/ Mark O. Decker, Jr.

Mark O. Decker, Jr.
President and Chief Executive Officer

/s/ John A. Kirchmann

John A. Kirchmann
Executive Vice President and Chief Financial Officer

Date: December 10, 2018

(Back To Top)

Section 2: EX-3.3 (EXHIBIT 3.3)

INVESTORS REAL ESTATE TRUST

Sixth Restated Trustees' Regulations (Bylaws)
(Adopted September 20, 2018)

ARTICLE I - OFFICE AND RECORDS

Section 1. Principal Office. The principal office of Investors Real Estate Trust (the "Trust") shall be in Minot, North Dakota. The Trust may also have offices at such other places as the Board of Trustees (the "Board") may from time to time designate.

Section 2. Availability of Bylaws. The original or a certified copy of these Bylaws, including all amendments, shall be kept at the principal office of the Trust and be available during usual business hours for inspection and copying.

Section 3. Books and Records. The Trust shall keep correct and complete books and records of accounts of its transactions, and minutes and other records of the proceedings or other actions of the Board and of any committees of the Board.

Section 4. Shareholder Lists. The Trust shall maintain at its principal office, or at the office of its transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by each shareholder.

ARTICLE II - TRUSTEES

Section 1. Number of Trustees. The number of Trustees shall not be less than 5, nor more than 15, as from time to time determined by the Board.

Section 2. Chair of Board. The Board shall elect one of the Trustees as Chair of the Board, who shall act as chair at all meetings of the Board, and may perform administrative acts on behalf of the Board except to the extent that the Declaration of Trust or these Bylaws specifically require such acts to be performed by a majority of the Board.

Section 3. Vice Chair. The Board may elect one or more Trustees as a Vice Chair of the Board. The First Vice Chair shall exercise the power and duties of the Chair in his or her absence or, in the case of a vacancy in that office, until a new Chair shall be elected.

Section 4. Secretary. The Board shall elect a Secretary, who need not be a Trustee, who shall keep minutes and have the usual responsibilities of a secretary.

Section 5. Regular Meetings. Regular meetings of the Board shall be held at such times as the Board determines, but not less frequently than each quarter.

Section 6. Special Meetings. Special meetings of the Board shall be held whenever called by the Chair, or by any 3 other Trustees, at such time and place as may be designated in the notice of the meeting.

Section 7. Notice of Meetings. At least 24 hour written notice shall be given of the time and place of any regular or special meeting of the Board. If the notice is sent by mail or fax or electronic mail, it shall be deemed to have been given when deposited in the mail or transmitted by fax or by electronic mail directed to an address, telephone number or electronic mail address, as the case may be, which the Trustee has designated for the receipt of such notice. Notice of an adjourned meeting need not be given if the time and place of the adjourned meeting are announced at the meeting at which such adjournment action is taken.

Section 8. Quorum for Meetings. A majority of the Trustees in office shall constitute a quorum for the transaction of business. The acts of a majority of the Trustees present at a meeting at which a quorum is present shall be the acts of the Board. The Trustees may, in lieu of a meeting, take any action which would be lawful if done at a meeting by having a certificate describing such action signed by all of the Trustees in office and depositing such certificate in the minute book of the Trust. The Trustees shall be entitled to participate in meetings by telephone conference, video conference, or other communications equipment by which all members participating may simultaneously hear each other. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 9. Trustee Eligibility. Trustees must be individuals at least 21 years of age upon the date of the annual shareholder meeting at which such individual is elected as a Trustee.

ARTICLE III - SHAREHOLDERS

Section 1. Shareholder Meeting Location. Meetings of the shareholders shall be held at such place in Minot, North Dakota or elsewhere as may be determined by the Board.

Section 2. Annual Shareholder Meeting. An annual meeting of shareholders for the election of Trustees shall be held within six months of the end of the Trust's fiscal year, at such time and place as the Board shall from time to time fix.

Section 3. Special Shareholder Meeting.

A. A special meeting of shareholders may be called by a majority of the Trustees or by the Chief Executive Officer. Except as provided in Section 3(B) below, a special meeting of shareholders shall be held on the date and at the time and place set by the Chief Executive Officer or the Board, whoever has called the meeting. Subject to Section 3(B) below, a special meeting of shareholders shall also be called by the Secretary of the Trust to act on any matter that may properly be considered at a meeting of shareholders upon the valid written request of one or more shareholders who, in the aggregate, are holders of ten percent or more of the then outstanding common shares entitled to vote on the matter (s) proposed to be voted on at such meeting ("Requisite Percentage").

B. **Shareholder-Requested Special Meetings.**

i. In order for any shareholder(s) to request a special meeting to act on any matter that may properly be considered at a meeting of shareholders:

(a) shareholders holding the Requisite Percentage shall submit a written notice of demand ("Special Meeting Request") in proper form to the Secretary of the Trust at the Trust's principal executive offices by registered mail, return receipt requested. Such Special Meeting Request shall be signed by shareholder(s) holding the Requisite Percentage, bearing the date of signature of each such shareholder. In addition, the Special Meeting Request shall include:

(1) the information required by Section 6(A)(i) of Article III in the case of a proposal of business and Section 6(B)(i) of Article III in the case of a nomination of a Trustee as if such special meeting was an annual meeting; and

(2) documentary evidence that the requesting shareholders collectively own, as of the time the Special Meeting Request is submitted to the Secretary, the Requisite Percentage.

(3) A shareholder that has requested the special meeting in response to a solicitation statement filed by another shareholder seeking support from the Requisite Percentage of shareholders for such special meeting pursuant to, and in accordance with, Section 14(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act") ("Solicited Shareholder") is not required to provide the information under Section 3(B)(i)(a)(1) above except: (A) information under Sections 6(A)(i)(a) and 6(B)(i)(a), as applicable, but only as to the name and address of the Solicited Shareholder, and (B) information under Sections 6(A)(i)(e) and 6(B)(i)(b), as applicable, but only as to the ownership, beneficially and of record, of Trust Securities by the Solicited Shareholder.

(b) If any information submitted as part of a Special Meeting Request pursuant to this Section 3 (B) becomes inaccurate in any material respect, the Special Meeting Request may be deemed not to have been provided in accordance with this Section 3(B). For the Special Meeting Request to remain valid, the requesting shareholders must:

(1) promptly notify the Secretary of any inaccuracy or change in the Special Meeting Request (but in any event no later than two business days after any requesting shareholder becomes aware of such inaccuracy or change), including if any requesting shareholders have withdrawn from the Special Meeting Request; and

(2) promptly update and supplement the Special Meeting Request, as necessary, and deliver the revised Special Meeting Request to the Secretary (but in any event no later than five business days after

any requesting shareholder becomes aware of such inaccuracy or change) so that the Special Meeting Request shall continue to be true, accurate and complete from the Delivery Date until the special meeting is held or any adjournment or postponement thereof.

(c) When a Special Meeting Request in compliance with Section 3(B)(i) is received by the Secretary of the Trust for any matter that may properly be considered at a meeting of shareholders, the Secretary shall inform the requesting shareholders of the reasonably estimated costs of preparing and mailing or delivering the notice of the special meeting (including the Trust's proxy materials) ("Costs"). The Secretary shall not be required to call a special meeting upon shareholder request and such meeting shall not be held unless, in addition to the documents required by paragraphs (a) and (b) above, the Secretary receives payment from the requesting shareholders of such Costs prior to the preparation and mailing or delivery of such notice of the meeting (the date on which the Secretary receives both a valid Special Meeting Request and payment of the Costs is the "Delivery Date").

ii. Any requesting shareholder may revoke its participation in any Special Meeting Request at any time prior to the special meeting by delivering a written revocation to the Secretary.

iii. Upon the Trust's determination that: (a) the requesting shareholders own the Requisite Percentage; (b) the requesting shareholders have validly submitted a Special Meeting Request in accordance with these Bylaws, the Declaration of Trust and applicable law, including payment of the Costs; and (c) there is at least one matter proposed in the Special Meeting Request that may properly be considered at a shareholder meeting, the Secretary shall, within 30 days after the Delivery Date, call the special meeting, which shall be held at the place, date and time determined by the Board that is no later than 90 days after the Delivery Date. The business conducted at such special meeting shall be limited to the matters proposed in the Special Meeting Request which are matters that may properly be considered at a meeting of shareholders; provided that the Board may include additional matters to be considered by the shareholders at the meeting by including those matters in the notice of the special meeting of shareholders.

iv. If written revocations of the Special Meeting Request have been delivered to the Secretary pursuant to Section 3(B)(ii), and the result is that the requesting shareholders who have not revoked no longer hold the Requisite Percentage, then the Board shall have the discretion to determine whether or not to proceed with the special meeting.

v. Notwithstanding anything in this Section 3(B) to the contrary, the Secretary shall not be required to call a special meeting if either: (a) the Delivery Date occurs during the period commencing ninety (90) days prior to the first anniversary of the date of the immediately preceding annual meeting of shareholders and ending on the date of the final adjournment of the next annual meeting of shareholders; or (b) the only matter to be voted on at the special meeting is substantially the same as a matter voted on at any meeting of the shareholders held during the preceding twelve months, except if the matter relates to the election or removal of Trustees.

vi. If neither any of the requesting shareholders is physically present at, nor a qualified representative representing the requesting shareholders at their request is physically present at, the special meeting to present the matters proposed in the Special Meeting Request and included in the Trust's notice of meeting, the Trust is not required to present such matters for a vote at such meeting.

Section 4. Notice of Shareholder Meetings. Written notice setting forth the date, time and place of each annual meeting and, in the case of a special meeting or as otherwise may be required by law, the purpose(s) for which the meeting is called shall be given to each shareholder of record at least 15 days prior to the date fixed for the meeting. Notice of any meeting of shareholders sent by mail shall be deemed given when it is deposited in the mail addressed to the shareholder at the address appearing on the records of the Trust. Notice of an adjourned meeting need not be given if the time and place of the adjourned meeting is announced at the meeting at which the adjournment action is taken.

Section 5. Order of Business at Shareholder Meetings.

A. **Annual Meetings of Shareholders**. At any annual meeting of the shareholders, only such nominations of persons for election to the Board shall be made and only such other business shall be conducted or considered, as shall have been properly brought before the meeting. For nominations to be properly made at an annual meeting, and proposals of other business to be properly brought before an annual meeting, nominations and proposals of other business must be: (i) specified in the Trust's notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly made at the annual meeting by or at the direction of the Board, or (iii) otherwise properly requested to be brought before the annual meeting by a shareholder who (x) was a shareholder of record at the time of giving of notice provided for in Section 6 of this Article III and at the time of the annual meeting, (y) is entitled to vote at such annual meeting and (z) has complied with the notice procedures set forth in Section 6 of this Article III, specifically including Section 6(A) in the case of a proposal of other business and Section 6(B) in the case of a nomination of a Trustee. In addition, any shareholder proposal of other business to be voted on at an annual meeting must be a matter that may properly be considered at a meeting of shareholders. For the avoidance of doubt, clause (iii) of this Section 5(A) shall be the exclusive means for a shareholder to make nominations or other business proposals at an annual meeting of shareholders other than business properly included in the Trust's proxy materials pursuant to Rule 14a-8 under the Exchange Act.

B. **Special Meetings of Shareholders**. At any special meeting of the shareholders, only such nominations of persons for election to the Board shall be made and only such business shall be conducted or considered as shall have been properly brought before the meeting. For nominations to be properly made at a special meeting, and proposals of business to be properly brought before a special meeting, nominations and proposals of business must be (i) specified in the Trust's notice of meeting (or any supplement thereto) given by or at the direction of the Board or other persons who called such meeting in accordance with Article III, Section 3; (ii) otherwise properly brought before the special meeting by or at the direction of the Board; or (iii) if the Trust's notice of meeting provides for the election of Trustees, shareholder nominations of persons for election to the Board otherwise properly requested to be brought before the special meeting by a shareholder who (x) was a shareholder of record at the time of giving of notice provided for in Section 6 of this Article III and at the time of the special meeting, (y) is entitled to vote at the special meeting and (z) has complied with the notice procedures set forth in Section 6 of this Article III, specifically including Section 6(B) for nomination of Trustees. For the avoidance of doubt, this Section 5(B) of Article III shall be the exclusive means for a shareholder to make nominations or other business proposals at a special meeting of shareholders other than business properly included in the Trust's proxy materials pursuant to Rule 14a-8 under the Exchange Act.

C. **General**. Except as otherwise provided by law, the Declaration of Trust or these Bylaws, the chair of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before an annual or special meeting was made or proposed, as the case may be, in accordance with these Bylaws and, if any proposed nomination or other business is not in compliance with these Bylaws, to declare that no action shall be taken on such nomination or other proposal and such nomination or other proposal shall be disregarded.

Section 6. Shareholder Proposals and Nominations.

A. **Shareholder Proposals**. For shareholder proposals for other business to be properly brought before an annual meeting pursuant to Section 5(A)(iii) of Article III, the shareholder, or beneficial owner on whose behalf the proposal is made ("Requesting Shareholder"), shall submit a timely written notice ("Proposal Notice") in proper form to the Secretary of the Trust at the Trust's principal executive offices by registered mail, return receipt requested. Such Proposal Notice shall be signed by a shareholder entitled to submit a Proposal Notice under these Bylaws, bearing the date of signature of such shareholder. The date on which the Secretary receives a valid and complete Proposal Notice is referred to as the "Proposal Delivery Date." The requirements of the Proposal Notice shall be as follows:

i. **Proposal Notice**. The written Proposal Notice shall include:

(a) the name and address of such shareholder as it appears on the Trust's books, of such beneficial owner, if any, and of their respective affiliates or associates or others acting in concert therewith (collectively referred to as "Shareholder Group"), and the name of each nominee or similar custodian which holds any such shares or other securities of the Trust on behalf of such Shareholder Group ("Custodian");

(b) a brief description of the business desired to be brought before the meeting, the reason (s) for conducting such business at the meeting and any material interest of the Shareholder Group in the proposal of such business;

(c) a description of all agreements, arrangements and understandings between the Shareholder Group and any other person(s) (including their names) in connection with the proposal of such business by the Requesting Shareholder;

(d) the text of the proposal or business (including the text of any resolutions proposed for consideration);

(e) the class, series and number of all shares of beneficial interest and other securities of the Trust and its subsidiaries (collectively referred to as “Trust Securities”) which are, directly or indirectly, owned beneficially and of record by the Shareholder Group and by each Custodian, or any other agreement relating to the Trust Securities, including any of the following:

(1) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any Trust Securities or with a value derived in whole or in part from the value of any Trust Securities, or any derivative or synthetic arrangement having the characteristics of a long position in any Trust Securities, or any contract, derivative, swap or other transaction or series of transactions designed to produce economic benefits and risks that correspond substantially to the ownership of any Trust Securities, including due to the fact that the value of such contract, derivative, swap or other transaction or series of transactions is determined by reference to the price, value or volatility of any Trust Securities, whether or not such instrument, contract or right shall be subject to settlement in the underlying Trust Securities, through the delivery of cash or other property, or otherwise, and without regard of whether the Shareholder Group may have entered into transactions that hedge or mitigate the economic effect of such instrument, contract or right or any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of Trust Securities (any of the foregoing, a “Derivative Instrument”) directly or indirectly owned beneficially by such Shareholder Group;

(2) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), contract, arrangement or understanding pursuant to which the Shareholder Group has a right to vote any Trust Securities;

(3) any agreement, arrangement, understanding or otherwise, including any repurchase or similar so-called “stock borrowing” agreement or arrangement, engaged in, directly or indirectly, by the Shareholder Group, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of any Trust Securities by, manage the risk of share price changes for, or increase or decrease the voting power of, such Shareholder Group with respect to

any Trust Securities, or which provides, directly or indirectly, the opportunity to profit or share in any profit derived from any decrease in the price or value of any Trust Securities;

(4) any rights to dividends or other distributions on any Trust Securities owned beneficially by the Shareholder Group that are separated or separable from the underlying Trust Securities;

(5) any proportionate interest in any Trust Securities or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which the Requesting Shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner of such general or limited partnership;

(6) any performance-related fees (other than an asset-based fee) to which the Requesting Shareholder is entitled based on any increase or decrease in the value of Trust Securities or Derivative Instruments, if any; and

(7) any direct or indirect interest of the Requesting Shareholder in any contract with the Trust or any affiliate of the Trust (including any collective bargaining agreement); and

(f) any other information relating to the Requesting Shareholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the proposal pursuant to Regulation 14A of the Exchange Act and the rules and regulations promulgated thereunder.

(ii) **Timely Notice**. For the Proposal Notice to be timely:

(a) the Proposal Delivery Date of the Proposal Notice shall be no earlier than the close of business on the 120th day and no later than the close of business on the 90th day prior to the first anniversary of the preceding year's annual meeting.

(b) Notwithstanding the above, in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, the Proposal Delivery Date of the Proposal Notice must be no earlier than the close of business on the 120th day prior to the date of such annual meeting and no later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, no later than by the 10th day following the day on which public announcement of the date of such meeting is first made by the Trust.

(c) In no event shall any adjournment or postponement of an annual meeting, or the public announcement thereof, commence a new time period for the giving of a Proposal Notice.

(iii) **Update Requirement**. If any information submitted as part of a Proposal Notice pursuant to this Section 6(A) becomes inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 6(A). For a Proposal Notice to remain valid, the Requesting Shareholder must:

(a) promptly notify the Secretary of any inaccuracy or change in the Proposal Notice (but in any event no later than two business days after the Requesting Shareholder becomes aware of such inaccuracy or change); and

(b) promptly update and supplement the Proposal Notice, as necessary, and deliver the revised Proposal Notice to the Secretary (but in any event no later than five business days after the Requesting Shareholder becomes aware of such inaccuracy or change) so that the Proposal Notice shall continue to be true, accurate and complete from the Notice Delivery Date until the meeting is held or any adjournment or postponement thereof.

(iv) **Present at the Meeting**. If neither the Requesting Shareholder who has given proper and timely notice as required herein is physically present at, nor a qualified representative representing the Requesting Shareholder at its request is physically present at, the meeting to present the business proposal proposed in the Proposal Notice, the Trust is not required to present such business proposal for a vote at such meeting. If the Requesting Shareholder who has given proper and timely notice as required herein intends to authorize another person to act for the Requesting Shareholder as a proxy to present the business proposal at the meeting, the Requesting Shareholder shall give notice of such authorization in writing to the Secretary not less than three business days before the date of the meeting, including the name and contact information for such person.

B. **Shareholder Nominations**. For a shareholder nomination of a person for election to the Board to be properly brought before an annual meeting pursuant to Section 5(A)(iii) of Article III or before a special meeting pursuant to Section 5(B)(iii) of Article III, the Requesting Shareholder shall submit a timely written notice ("Nomination Notice") in proper form to the Secretary of the Trust at the Trust's principal executive offices by registered mail, return receipt requested. Such Nomination Notice shall be signed by a shareholder entitled to submit a Nomination Notice under these Bylaws, bearing the date of signature of such shareholder. The date on which the Secretary receives a valid and complete Nomination Notice is referred to as the "Nomination Delivery Date". The requirements of the Nomination Notice shall be as follows:

i. **Nomination Notice.** The written Nomination Notice shall include:

(a) the same information as specified under Section 6(A)(i)(a) for the Shareholder Group submitting the Nomination Notice and Custodian to such Shareholder Group,

(b) and same information as specified under Section 6(A)(i)(e) for the Shareholder Group submitting the Nomination Notice;

(c) as to each person whom the Requesting Shareholder proposes to nominate for election or reelection to the Board ("Nominee"), all information relating to such Nominee that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Trustees in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder;

(d) as to each Nominee, a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the Shareholder Group on the one hand and each Nominee, and the Nominee's respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the Shareholder Group were the "registrant" for purposes of such rule and the Nominee were a Trustee or executive officer of such registrant;

(e) as to each Nominee, the Nominee's written consent to being named in the Trust's proxy statement as a nominee and to serving as a Trustee if elected;

(f) a questionnaire completed, signed and dated by each Nominee with respect to the Nominee's background and qualifications (which questionnaire shall be provided to the Requesting Shareholder by the Secretary upon written request);

(g) written representations signed and dated by each Nominee, whereby each Nominee shall represent that Nominee: (1) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Nominee, if elected as a Trustee, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Trust therein or (B) any Voting Commitment that could limit or interfere with the Nominee's ability to comply, if elected as a Trustee, with the Nominee's fiduciary duties under applicable law; (2) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Trust with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Trustee that has not been disclosed to the Trust therein; and (3) in Nominee's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance if elected as a Trustee of the Trust and will comply with all applicable corporate governance, conflict of interest, resignation, confidentiality, share ownership and trading policies and guidelines of the Trust publicly disclosed from time to time; and

(h) any other information that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for the election of Trustees in a contested election (even if an election contest is not involved) pursuant to Regulation 14A of the Exchange Act and the rules and regulations promulgated thereunder.

(ii) **Timely Notice**. For the Nomination Notice to be timely:

(a) in regards to an annual meeting, the Nomination Delivery Date of the Nomination Notice must be by the time frames as provided under Section 6(A)(ii) above; provided, however, in the event that the number of Trustees to be elected to the Board at such annual meeting is increased by the Board, and there is no public announcement by the Trust naming all of the nominees for Trustee or specifying the size of the increased Board at least 100 days prior to the first anniversary of the preceding year's annual meeting, then the Nomination Notice shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary not later than the close of business on the 10th day following the day on which such public announcement is first made by the Trust.

(b) in regards to a special meeting, the Nomination Delivery Date of the Nomination Notice shall be no earlier than the close of business on the 100th day prior to the date of such special meeting and no later than the close of business on the later of the 60th day prior to the date of such special meeting or, if the first public announcement of the date of such special meeting is less than 70 days prior to the date of such special meeting, no later than by the 10th day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board to be elected at such meeting.

(c) In no event shall any adjournment or postponement of annual or special meeting, or the public announcement thereof, commence a new time period for the giving of a Nomination Notice as described above.

(iii) **Update Requirement**. If any information submitted as part of a Nomination Notice pursuant to this Section 6(B) becomes inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 6(B). For a Nomination Notice to remain valid, the Requesting Shareholder must:

(a) promptly notify the Secretary of any inaccuracy or change in the Nomination Notice (but in any event no later than two business days after the Requesting Shareholder becomes aware of such inaccuracy or change); and

(b) promptly update and supplement the Nomination Notice, as necessary, and deliver the revised Nomination Notice to the Secretary (but in any event no later than five business days after the Requesting Shareholder becomes aware of such inaccuracy or change) so that the Nomination Notice shall continue to be true, accurate and complete from the Delivery Date until the meeting is held or any adjournment or postponement thereof.

(iv) **Eligibility**. The Trust may require any proposed Nominee to furnish such other information as may be reasonably required by the Trust or the Board to determine the eligibility of such proposed Nominee to serve as an independent Trustee of the Trust or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such Nominee.

(v) **Present at the Meeting**. If neither a Requesting Shareholder who has given proper and timely notice as required herein is physically present at, nor a qualified representative representing the Requesting Shareholder at its request is physically present at, the meeting to present the Nominee(s) as proposed in the Nominee Notice, the Trust is not required to present such Nominees for election at such meeting. If a Requesting Shareholder who has given proper and timely notice as required herein intends to authorize another person to act for the Requesting Shareholder as a proxy to present the nomination at the meeting, the Requesting Shareholder shall give notice of such authorization in writing to the Secretary not less than three business days before the date of the meeting, including the name and contact information for such person.

C. **Compliance with Securities Exchange Act**. Notwithstanding Sections 6(A) and (B) of this Article III, a shareholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 6; provided, however, that any references in these Bylaws to the Exchange Act or the rules promulgated thereunder are not intended to and shall not limit the requirements applicable to shareholder nominations or proposals under these Bylaws.

D. **Proper Proposal**. Any shareholder proposal for other business made pursuant to a Proposal Notice under Section 6(A) must be a matter that may properly be considered at a meeting of shareholders.

E. **Disclosure of Ordinary Business Activities**. Notwithstanding the disclosure requirements of Sections 6(A) and (B) of this Article III, disclosures with respect to ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a shareholder solely as a result of being the shareholder of record or nominee directed to prepare and submit the notice required by Sections 6(A) and (B) of this Article III, as the case may be, on behalf of a beneficial owner will not be required.

F. **Other Shareholder Rights**. Nothing in this Article III shall be deemed to affect any (1) rights of shareholders to request inclusion of proposals in, or the right of the Trust to omit a proposal from, the Trust's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (2) rights of the holders of any series of preferred shares of the Trust if and to the extent provided for under law, the Declaration of Trust or these Bylaws.

Section 7. Conduct of Shareholder Meetings. Every annual and special meeting of shareholders shall be conducted by an individual appointed by the Board to be chairof the meeting or, in the absence of such appointment, by the Chair of the Board or, in the case of a vacancy in the office or absence of the Chair of the Board, by one of the following officers present at the meeting: the Vice Chair of the Board, if there be one, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the President, the Executive Vice Presidents and the Senior Vice Presidents in their order of rank and seniority, or, in the absence of such officers, a chair chosen by the shareholders by the vote of a majority of the votes cast by shareholders present in person or by proxy. The Secretary, or, in the Secretary's absence, an assistant secretary, or in the absence of both the Secretary and assistant secretaries, an individual appointed by the Board or, in the absence of such appointment, an individual appointed by the chair of the meeting shall act as secretary. The Board may adopt rules, regulations and procedures governing any meeting of shareholders. The order of business and all other matters of procedure at any meeting of shareholders shall be determined by the chair of the meeting. The chair of the meeting may, to the extent not inconsistent with any rules, regulations and procedures adopted by the Board, prescribe such rules, regulations and procedures and take such action as, in the discretion of such chair, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to shareholders of record of the Trust, their duly authorized proxies or other such individuals as the chair of the meeting may determine; (c) limiting participation at the meeting on any matter to shareholders of record of the Trust entitled to vote on such matter, their duly authorized proxies and other such individuals as the chair of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when the polls should be opened and closed; (f) maintaining order and security at the meeting; (g) removing any shareholder or any other individual who refuses to comply with meeting rules, regulations or procedures as set forth by the Board or the chair of the meeting; and (h) concluding the meeting or recessing or adjourning the meeting to a later date and time and place announced at the meeting. Unless otherwise determined by the chair of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 8. Quorum. Thirty-three and one-third percent (33 1/3%) of the outstanding shares entitled to vote at any meeting represented in person or by proxy shall constitute a quorum at such meeting.

Section 9. Proxies. Proxies shall be executed in writing and filed with such officer or office of the Trust as may be designated in the notice of the meeting. No revocation of a proxy, whether by voluntary action, death or incapacity of the shareholder granting it or otherwise, shall be effective until notice thereof has been received by the Trust.

Section 10. Judges of Election. The Board may appoint one or more judges of election, who need not be shareholders, to act at meetings of shareholders. If a judge of election fails to appear or refuses to act at a meeting, the Chair or other person designated to preside at the meeting of the shareholders shall appoint a substitute judge of election. The judge of election shall determine the number of outstanding shares of the Trust as of the applicable record date, the number of shares represented at the meeting, the existence of a quorum, and all questions relating to voting, and shall count the votes and shall determine the results of any voting.

Section 11. Record Date. For any lawful purpose, including, but without being limited thereto, the determination of the shareholders who are entitled to (a) receive notice of and vote at a meeting of the shareholders; (b) receive payment of a distribution; and (c) participate in the execution of written approvals, the Board may fix a record date which shall not be earlier than the date on which the record date is fixed, and shall not be more than 90 days preceding the meeting, payment, final date of written approvals or waivers, or other event to which the record date relates. If no record date is fixed, the record date for determining the shareholders who are entitled to receive notice of or to vote at a meeting of the shareholders shall be the close of business on the twentieth day prior to the date of the meeting.

Section 12. Action at a Meeting. Only to the extent authorized by the Declaration of Trust and permitted by applicable law, action required or permitted to be taken at any annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares entitled to vote having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

In the event of the delivery, as required by law, to the Trust of the requisite written consent or consents to take corporate action and/or any related revocation or revocations, the Trust shall engage independent inspectors of election for the purpose of performing promptly a ministerial review of the validity of the consents and revocations. For the purpose of permitting the inspectors to perform such review, no action by written consent without a meeting shall be effective until the date as the independent inspectors certify to the Trust that the consents properly delivered to the Trust represent at least the minimum number of votes that would be necessary to take the corporate action. Nothing contained in this Section 12 shall in any way be construed to suggest or imply that the Trust, the Board or any shareholder shall not be entitled to contest the validity of any consent or revocation thereof, whether before or after the certification by the independent inspectors, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in the litigation).

Every written consent shall bear the date of signature of each shareholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent received in accordance with applicable law, a written consent or consents signed by a sufficient number of holders to take such action are delivered to the Trust as required by law.

SECTION IV - OFFICERS

Section 1. Officers. The officers of the Trust may consist of a Chief Executive Officer, a President, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents (including Vice Presidents of varying degrees, such as Executive, Senior, or Regional Vice Presidents), and a Secretary. The Board may also appoint such other officers as the business of the Trust may require, each of whom shall have such authority and perform such duties as may be prescribed by the Board or the Chief Executive Officer from time to time. The officers of the Trust shall be appointed annually by the Board at the first meeting of the Board held after each annual meeting of shareholders, or as soon thereafter as may be convenient. Any two or more offices may be held by the same person.

Section 2. Chief Executive Officer. The Chief Executive Officer shall have general responsibility for implementation of the policies of the Trust, as determined by the Board, and for the management of the business and affairs of the Trust. The Chief Executive Officer shall perform all duties incident to the office of Chief Executive Officer, and such other duties as may be prescribed by the Board from time to time.

Section 3. President. The President shall in general supervise and control all of the business and affairs of the Trust. The President shall perform all duties incident to the office of President, and such other duties as may be prescribed by the Board or the Chief Executive Officer from time to time.

Section 4. Chief Operating Officer. The Chief Operating Officer shall supervise the operations of the Trust. The Chief Operating Officer shall perform all duties incident to the office of Chief Operating Officer, and such other duties as determined by the Board or the Chief Executive Officer from time to time.

Section 5. Chief Financial Officer. The Chief Financial Officer shall supervise the finance, treasury and accounting functions of the Trust. The Chief Financial Officer shall perform all duties incident to the office of Chief Financial Officer, and such other duties as determined by the Board or the Chief Executive Officer from time to time. The Chief Financial Officer shall be the Treasurer of the Trust unless the Board designates another person to be the Treasurer.

Section 6. Vice Presidents. Vice Presidents shall perform all duties incident to the office of Vice President, and such other duties as may be prescribed by the Board or the Chief Executive Officer from time to time.

Section 7. Secretary. The Secretary shall (a) keep the minutes of the proceedings of the shareholders, the Board, and the committees in appropriate minute books, (b) see that all notices are duly given in accordance with these Bylaws or as required by law, (c) be the custodian of the corporate records of the Trust, and (d) perform all duties incident to the office of Secretary, and such other duties as may be prescribed by the Board or the Chief Executive Officer from time to time.

Section 8. Execution of Contracts. Unless prohibited by a resolution of the Board or these Bylaws, the Chief Executive Officer, the President, the Chief Operating Officer, the

Chief Financial Officer, any Vice President, and the Secretary may execute any contracts, leases, or other documents requiring execution by the Trust.

Section 9. Authority. All officers and agents of the Trust, as between themselves and the Trust, have such authority and must perform such duties in the management of the Trust as may be provided in the Bylaws, or as may be determined by the Board not inconsistent with the Bylaws.

Section 10. Succession. Each officer shall serve until the officer's successor is appointed and qualifies, or until the officer's death, resignation, or removal in the manner hereinafter provided. An officer may resign at any time by giving written notice to the Trust. The resignation is effective without acceptance when the notice is given to the Trust, unless a later effective date is specified in the notice. The Board may remove an officer at any time, with or without cause. A vacancy in an office because of death, resignation, removal, disqualification, or other cause may be filled, if at all, in any manner by the Board.

Section 11. Contract Rights. The appointment of a person as an officer or agent does not, of itself, create contract rights. However, the Trust may enter into a contract with an officer or agent. The resignation or removal of an officer or agent is without prejudice to any contractual rights or obligations.

Section 12. Delegation of Duties. Unless prohibited by a resolution of the Board, an officer appointed by the Board may, without the approval of the Board, delegate some or all of the duties and powers of an office to other persons. An officer who delegates the duties or powers of an office remains subject to the standard of conduct for an officer with respect to the discharge of all duties and powers so delegated.

ARTICLE V - COMMITTEES

Section 1. Executive Committee. The Board may annually appoint an Executive Committee consisting of at least 3 Trustees. The Executive Committee shall have the authority and duties prescribed in these Bylaws and such other authority and duties as may be prescribed by the Board. The Board may designate one or more Trustees as an alternative member of the Executive Committee, who may replace any absent or disqualified member at any meeting of the committee. The Board may also appoint other agents for the performance of the business of the Trust, and each shall have such authority and duties as the Board prescribes. The Executive Committee may act on behalf of the Board.

Section 2. Audit Committee. At least annually, the Board shall appoint an Audit Committee consisting of at least 3 Trustees, all of whom shall be Independent Trustees. The Board may designate one or more Trustees as an alternative member of the Audit Committee, who may replace any absent or disqualified member at any meeting of the committee. The Audit Committee shall perform all duties as set forth in the written Audit Committee Charter as amended by the Board from time to time, and such other duties and tasks as the Board may prescribe.

Section 3. Nominating and Governance Committee. At least annually, the Board shall appoint a Nominating and Governance Committee consisting of at least 3 Trustees, all of whom shall be Independent Trustees. The Board may designate one or more Trustees as an alternative member of the Nominating and Governance Committee, who may replace any absent or disqualified member at any meeting of the committee. The Nominating and Governance Committee shall perform all duties as set forth in the written Nominating and Governance Committee Charter as amended by the Board from time to time, and such other duties and tasks as the Board may prescribe.

Section 4. Compensation Committee. At least annually, the Board shall appoint a Compensation Committee consisting of at least 3 Trustees, all of whom shall be Independent Trustees. The Board may designate one or more Trustees as an alternative member of the Compensation Committee, who may replace any absent or disqualified member at any meeting of the committee. The Compensation Committee shall perform all duties as set forth in the written Compensation Committee Charter as amended by the Board from time to time, and such other duties and tasks as the Board may prescribe.

Section 5. Other Committees. The Board may appoint such other standing or special committees, each consisting of one or more Trustees, as the Board may from time to time deem advisable, to perform such general or special duties as the Board may delegate to any such committee. The Board may designate one or more Trustees as an alternative member of any committee appointed pursuant to this Section 5, who may replace any absent or disqualified member at any meeting of such committee.

Section 6. Quorum and Voting. Subject to such terms as may appear in the delegation of authority to such committee (which may be contained in the charter for such committee), a majority of the members of any committee shall constitute a quorum for the transaction of business by such committee, and the act of a majority of the committee members present at a meeting shall constitute the act of the committee.

Section 7. Action by Committee Without a Meeting. Subject to such terms as may appear in the delegation of authority to such committee (which may be contained in the charter for such committee), any action required or permitted to be taken at any meeting of a committee may be taken without a meeting if all members of the committee consent to taking such action without a meeting, and the action is approved by the affirmative vote of the number of committee members that would be necessary to authorize or take such action at a meeting.

Section 8. Meetings by Electronic Communications Equipment. Members of any committee shall be entitled to participate in meetings of such committee by telephone conference, video conference, or other communications equipment by which all members participating may simultaneously hear each other. Participation in a meeting by these means shall constitute presence in person at the meeting.

ARTICLE VI - SHARES

Section 1. Share Certificates. The interests of shareholders in the Trust shall be divided into shares of beneficial interest, which may be certificated or uncertificated. Any certificate representing shares shall state (a) that it represents shares in the Trust; (b) the name of the registered owner of the shares represented thereby; and (c) the number of shares which the certificate represents. The interest of a shareholder in the Trust also may be evidenced by registration in the holder's name in uncertificated, book-entry form on the books of the Trust in accordance with a direct registration system approved by the Securities and Exchange Commission and by any securities exchange or automated quotation system on which the Trust's shares may from time to time be quoted or listed.

Section 2. Authority to Sign Share Certificates. Each share certificate shall be signed by a duly authorized agent of the Trust; *provided, however*, that such signature may be a facsimile signature on any certificate which contains the manual signature of a person authorized to sign on behalf of a transfer agent acting for the Trust.

Section 3. Transfer of Shares. Shares may be transferred only by the registered owner of the shares as reflected on the Share Ledger of the Trust, or by an attorney duly authorized in writing by the registered owner. If such shares are issued in certificated form, then those shares may be transferred only upon surrender of the share certificate properly endorsed, which certificate shall be canceled at the time of transfer, and the Trust shall issue a new certificate or evidence of the issuance of uncertificated shares to the shareholder entitled thereto, and shall record the transaction upon the books of the Trust. If the shares are issued in uncertificated form, then upon the receipt of proper transfer instructions from the registered owner of the shares or an attorney duly authorized in writing by the registered owner, such uncertificated shares shall be canceled, and the issuance of new equivalent uncertificated shares or certificated shares shall be made to the shareholder entitled thereto and the transaction shall be recorded upon the books of the Trust. The Board may prescribe the requirements for any transfer of shares otherwise than by an assignment validly executed by the registered owner or his attorney duly authorized as herein provided.

Section 4. Transfer Agent. The Board may establish transfer offices each in the charge of a transfer agent appointed by the Board, where the shares of the Trust shall be transferable, and a registry office in the charge of a registrar appointed by the Board where the shares shall be registered. If a transfer agent shall be appointed, no certificate for a share will be valid unless countersigned by such transfer agent.

Section 5. Loss or Destruction of Shares. The holder of any share certificate shall immediately notify the Trust or its transfer agent of any mutilation, loss, or destruction thereof, whereupon the Trust may issue (i) a new certificate or certificates or (ii) uncertificated shares in place of any certificate or certificates previously issued by the Trust and alleged to have been mutilated, lost or destroyed, upon surrender of the mutilated certificate, or in the case of loss or destruction of a certificate, upon satisfactory proof of such loss or destruction of certificate and the deposit of indemnity by way of a bond or otherwise in such form and amount and with such surety as the Board may require, to indemnify the Trust against loss or liability by reason of the issuance of such new certificate or certificates or uncertificated shares.

Section 6. Share Legends. The share certificates issued hereunder shall contain any Legend required by the Declaration of Trust and shall be in such form as the Board prescribes.

ARTICLE VII - MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Trust shall begin on January 1 of each year and shall end on December 31 of each year.

Section 2. Authority to Borrow or Pledge. No Trustee, representative, or agent of the Trust shall have power or authority to borrow money on the Trust's behalf, to pledge its credit or to buy, sell, or mortgage its real property or securities except within the scope and to the extent of authority expressly delegated by resolution of the Board. Authority given by the Board for any of the above purposes may be general in scope or limited to specific instances.

Section 3. Bank Account Signatories. The Board may, by resolution, designate the representative or representatives of the Trust who shall be authorized to act as signatory or signatories on the Trust's bank accounts and shall designate the number of signatures required. Any such signatory may, but need not, be a Trustee.

Section 4. Amendment to Investment Policies. Subject to the provisions of the Declaration of Trust, the Board of Trustees may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Company as it shall deem appropriate in its sole discretion.

Section 5. Waiver of Written Notice. Whenever any written notice is required to be given to the Trustees or the shareholders, a waiver thereof in writing signed by a person entitled to such notice, shall be deemed equivalent to the giving of such notice. Attendance of a person either in person or by proxy at a meeting shall constitute a waiver of notice of the meeting unless such person attends such meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 6. Capitalized Terms. All capitalized terms not otherwise defined in these Bylaws shall have the meanings ascribed to them in the Declaration of Trust.

Section 7. Authority of Declaration of Trust. In the event that any provision in these regulations shall be construed to be inconsistent with the provision of the Declaration of Trust, the provisions of the Declaration of Trust shall control.

ARTICLE VIII - AMENDMENTS

These Bylaws may be amended at any regular or special meeting of the Board if notice of the proposed amendment is contained in the notice of meeting. Amendments to these Bylaws may be made by the Board with or without a meeting, by written instrument signed by all of the Trustees and lodged among the records of the Trust.

(Back To Top)

Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Certifications

I, Mark O. Decker, Jr., certify that:

1 I have reviewed this quarterly report on Form 10-Q of Investors Real Estate Trust;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 10, 2018

By: /s/ Mark O. Decker, Jr.

Mark O. Decker, Jr., President and Chief Executive Officer

(Back To Top)

Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Certifications

I, John A. Kirchmann, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Investors Real Estate Trust;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material

respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5 The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 10, 2018

By: /s/ John A. Kirchmann

John A. Kirchmann, Executive Vice President and Chief Financial Officer

(Back To Top)

Section 5: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Investors Real Estate Trust (the “Company”) on Form 10-Q for the quarter ended October 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Mark O. Decker, Jr., President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark O. Decker, Jr.

Mark O. Decker, Jr.

President and Chief Executive Officer
December 10, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is furnished, and shall not be deemed filed, as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b) (32) (ii) of Regulation S-K.

(Back To Top)

Section 6: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Investors Real Estate Trust (the “Company”) on Form 10-Q for the quarter ended October 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John A. Kirchmann, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John A. Kirchmann
John A. Kirchmann
Executive Vice President and Chief Financial Officer
December 10, 2018

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is furnished, and shall not be deemed filed, as provided by Rule 13a-14(b) promulgated under the Securities Act of 1934 and Item 601(b) (32) (ii) of Regulation S-K.

(Back To Top)